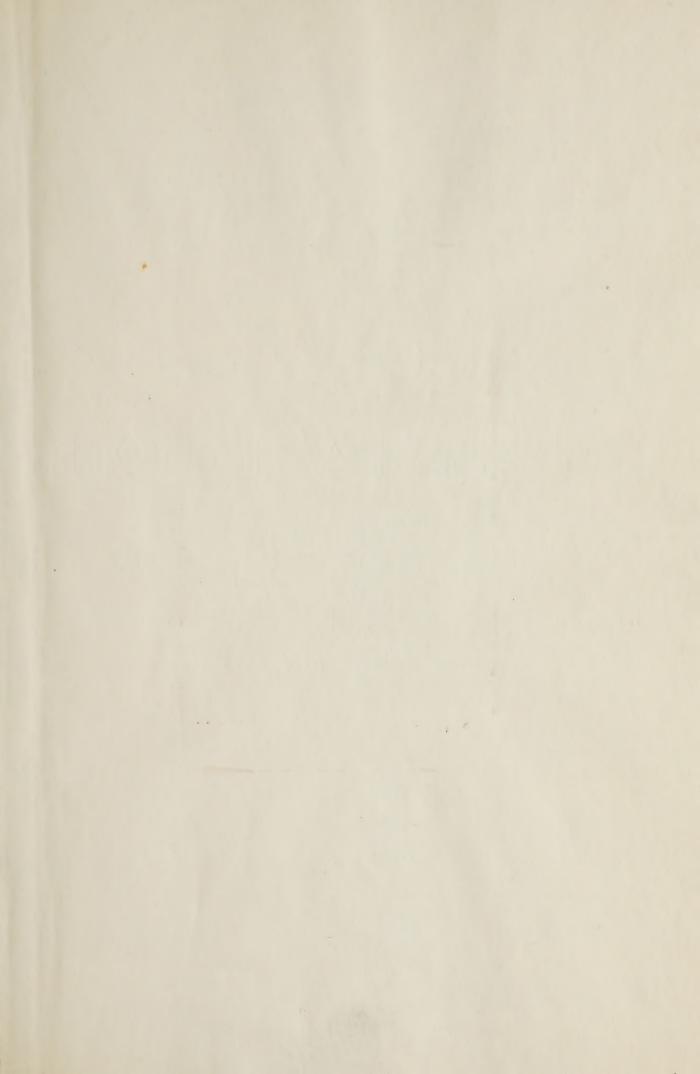
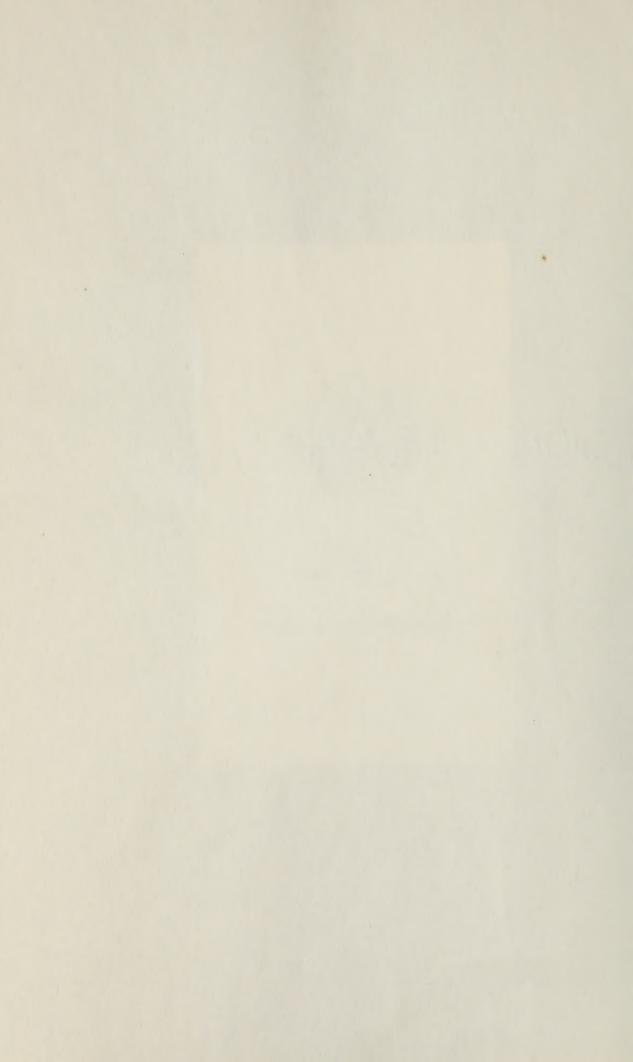




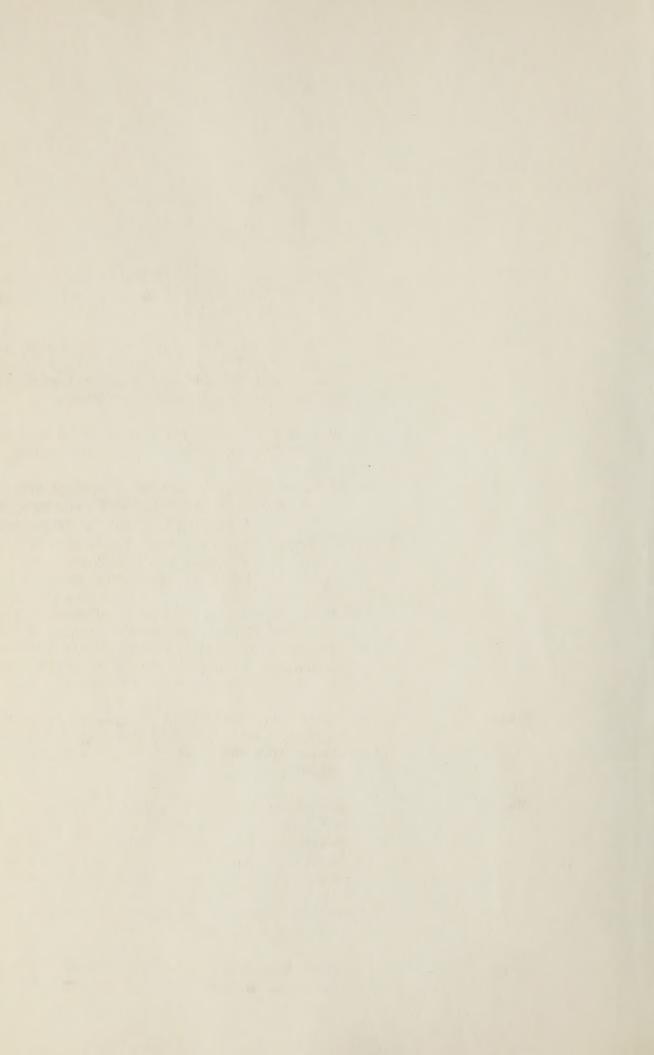
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J. C. hie Rues. Esq. K.C.





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COMPRETITION - (GENERAL)

PAGE IN NEWARD'S MORUER'S BRIS ARGRENT RESULTAL	S U B J E C T
17601	Unhealthy competition is bad for the consuming public
17656	Heward says that elimination of excissive or unhealthy competition is not detrimental to the consumer
17836	Commissioner cites Adelmide Steamship case before Privy Council where it is pointed out that there are cases where excessive competition will end in a blow-up
17837	Heward says over-competition very often raises prices instead of lowering them
17658	Heward mays it is possible that if four old companies merged in 1905 had carried on independently until some of them were bankrupt the excessive competition which existed would have been eliminated or lessened, but with disastrous results to the companies, the shareholders, and to the employees and that an enhancement in price would have followed. Heward submits that the elimination of excessive competition in an orderly and constructive manner was better for all concerned
27846	It was the unbealthy competition that was forcing these old companies into bankrupt- cy so that they had to sell at sub-cost prices
17846	Heward submits that competition is not detrimental to the consumer unless it results in improper increases in prices which the latter pays and that there is no evidence to show that there was such an increase in prices after the merger or that prices were improperly high after the merger
17969	Heward says a very slight increase in the cost of producing cotton goods in Canada -

occasioned by higher wages and shorter hours of labour in dvance of thehnological changes would only result in Canadian mills losing more of the domestic market to exporters

Dospite a shorter working week the worker of today is earning 65% more per week and has 58% more purchasing power than in 1920 and this increase has taken place without it being necessary took increase cost of production of goods produced

18056

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71	17925		Heward says delegation to Ottawa und ubtedly made known to Ministers their apprehensions arising out of the Japanese agreement
	17925		Howard says ar. Dunning felt the textile industry was unduly alarmed about Japanese competition
	17928	18952	Particular cause for alarm was expectation of goods coming in
	17929		One purchaser cancelled order and returned goods on account of Japanese quotations
74	17930		At meeting with Ministers of January 14th no definite reassurence or definite hopes of any remedy were held out to the delegation
74	17932		Mark told Broad Silk Group that curtail- ments of the mills would be a safeguard for them until they were able to prove to Government the risks of these import- ations from Japan
79	17939 17944		Haward days that letter may not have been explicit enough bout stock situation or order situation; but he does not think it was intended as a demonstration to the Government or to intimidate the Government
	17946		By not running off looms Gordon put him- self in a position where he could carry on if fears of Japanese competition proved groundless, but if his fears were not groundless, he would have to stop anyway
	17953	18952	Rayon taffetas of the type quoted on by Fisher & Co. were not produced at Sherbrooke but were produced by Montreal Cottons
	17953	18953	Production of these two lines of teffetas had been stooped by Montreal Cottons in October 1938 but not on account of Japanese competition



77,000,000 square yards of cotton goods imported into United States in 1936, came from Japan. In 1935 Mapan supplied 36,000,000 square yards of total imports of 63,600,000 square yards

17962

Imports of conton goods into Canada from Japan were very small in 1936, but 73,000, 000 yards were imported from Great Britain



COMPETITION (JAPANUSE)

PAGE IN	HAMMARD'S AROUNLAT	MORUER S RUHUT TAL	SUBJECT
64	17898	13958	Value of Japanese yen
88	17903 17906	12971	A.B. Fisher & Co. and Mitsui Company quotations (Ev. p.2064)
67	17905	13971 13988	Rayon goods formerly invoiced at Japanese yen prices representing about 80% per 1b. are now quoted at about 25% per 1b. (Ex. 142)
68	17906	18947	Imports of artificial silk and mixture fabrics from Japan in first 10 months of 1936 amounted to 291,085 pounds as against 38,689 pounds for same period in 1935
68	17906	18958	Heward thinks Gordon's fears of increasing competition were well founded
	27907	18947	Heward does not think 291,000 pounds is a large amount for 10 mouths compared with the production
	17907	18947	Japanese have absorbed Philippine Islands marks t and also Australia
	17909	18946 13974	Heward thinks there is an increasing threat of Japanese competition
	17910		MI-58 not a corresponding fabric to the Japanese 27" plain wayon taffeta
	17915		Heward says Mr. Gordon had New York quotations on Japanese goods before Ja- nuary 15th but did not have any quota- tions from Brown Silk Co. until first part of February (Ev. p. 2062)
	17917		Gordon obtained Japanese prices in New York and worked out what the prices would be in Japan
70	17924	18952	Gordon was alarmed by inquiries which had been received from the trade in Winnipeg and Quebec as to what was going to be done through the Japanese situation



FABRIES PRODUCED AND SPECIFIC TIONS

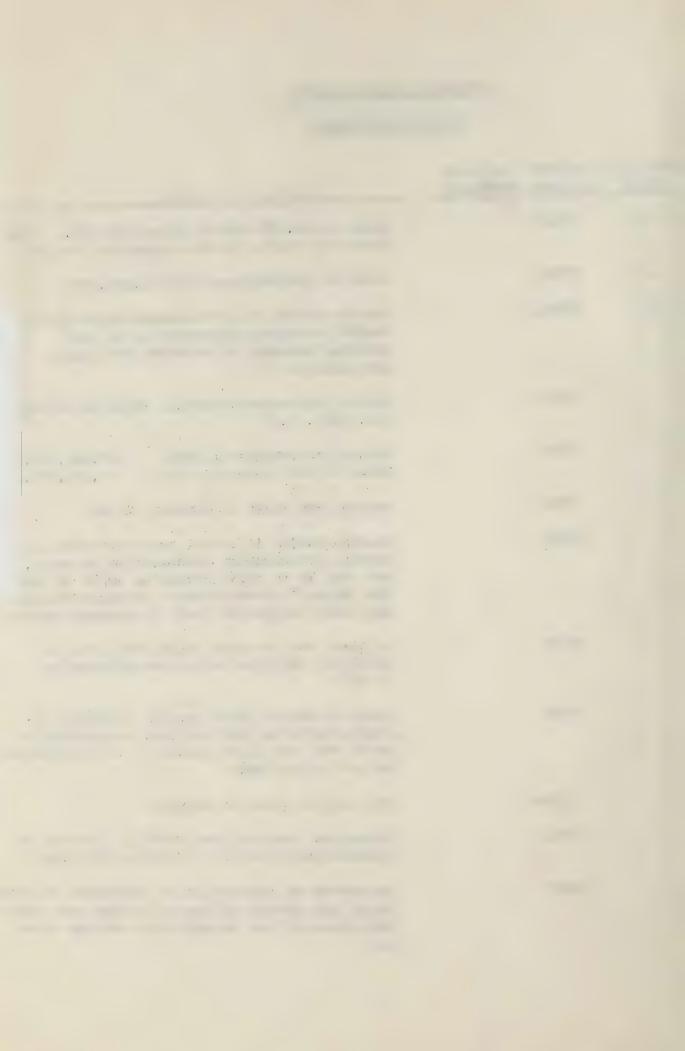
PAGE IN BRIEF	A COMENT	MORUER'S REMUTTAL	5 11 % J E C T
	17633		Sherbrooke plant in 1928 manufactured tire fabrics, ducks and yams
	17953	18952	Rayon taffetas of the type quoted on by Fisher & Co. were not produced at Sherbrooks but were produced by Montreal Cottons
	17953	18953	Production of these two lines of taffetas had been stopped by Montreal Cottons in October 1935, but not on account of Japanese Competition



FINANCIAL and OPERATING

CAPITAL STRUCTURE

BRIEF	HEMAND'S AMGUMENT	MORGE R'S REBUTTAL	SUBJECT
11	17530		Issue of 45,000 Common shares in 1928. Total number of Common shares outstanding 270,000
11	17531		Value of outstanding bom's \$4,457,000
12	17551		Amounts invested by bondholders were not in- chided in capital investment, but only amounts invested by preferred and common shareholders
	17833		Capital of Dominion Textile turns per slowly (Ex. 1230, p.2)
	17833		Capital of Company in 1936 \$27,820,437.25 Sales of the Company in 1936 \$18,269,296.11
	17833		Capital and sales of Company in 1935
	17865		Howard submits it is not proper to write up assets for temporary fluctuations in value, but that it is quite proper to write up into the Company's books changes in value resulting from a permanent trend in property values
	17865		Write-up was not made before the issue of stock but was made before re-organisation in 1923
	17865		Split of shares three for one following re- organization in 1923 was just a splitting of stock that was in the hands of the shaeholders and not a new issue
	17866	•	New capital taken in in 1922
	17866		Furpose of issue of new stock in 1922 was to obtain working capital to reduce bank loans
	17867		Inducement to shareholdrs to subscribe was that stock was offered at part at a time when existing shares of the Company were selling above par



Heward says McRuer's calculation at pages 180 and 182 of his brief showing position of Dominion Textile would have been in had it paid its bond interest, preferred and common stock dividends of 20% per amum on original \$500,000 should be ignored; first, because it is fallacious that all the Company received for original issue of some on stock was \$500,000; secondly, because it includes among the earnings of the Company the so-called secret inventory reserve; and thirdly, it is based on amposition that there was over-depreciation and betterments charged to profits amounting to \$16,011,356,89

17875

Howard submits that even if promises on which the computation is based were not fallacious, the computation would in no way support Mr. McRuer's contention that protective tariffs should be reduced

17991

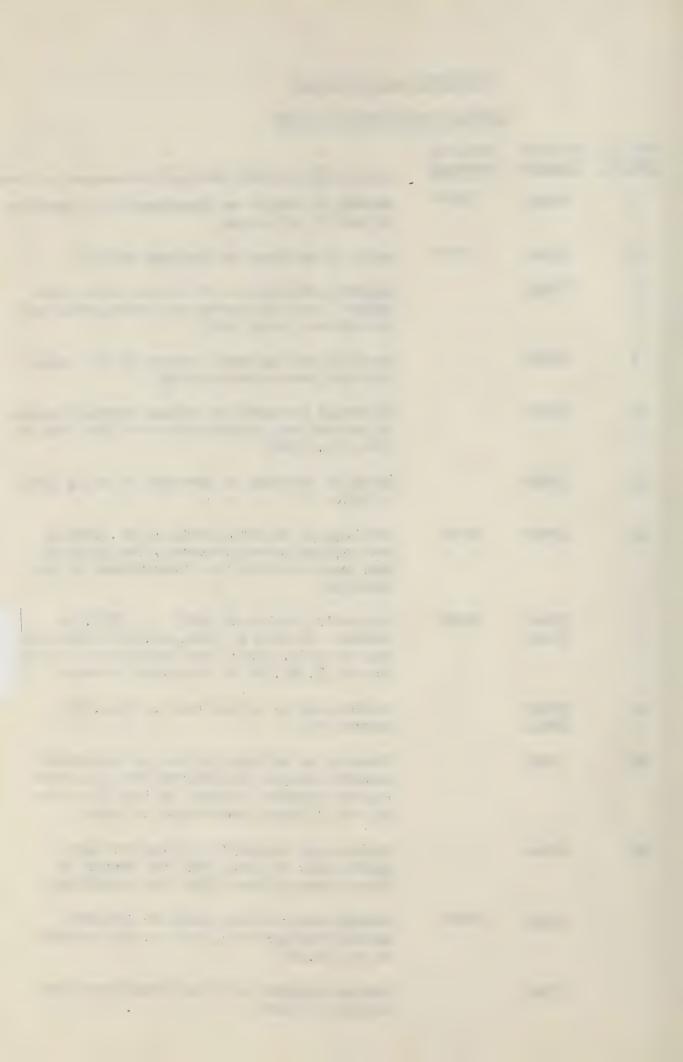
Share capital of Company in 1934 was hold by 2811 shareholders; average number of shares per shareholder was 103 and 98.8% of all shares were held by shareholders resident in Canada. 76.3% of the outstanding stock is held by shareholders who individually own less than 2% of the total issue



FINANCIAL and OPERATING

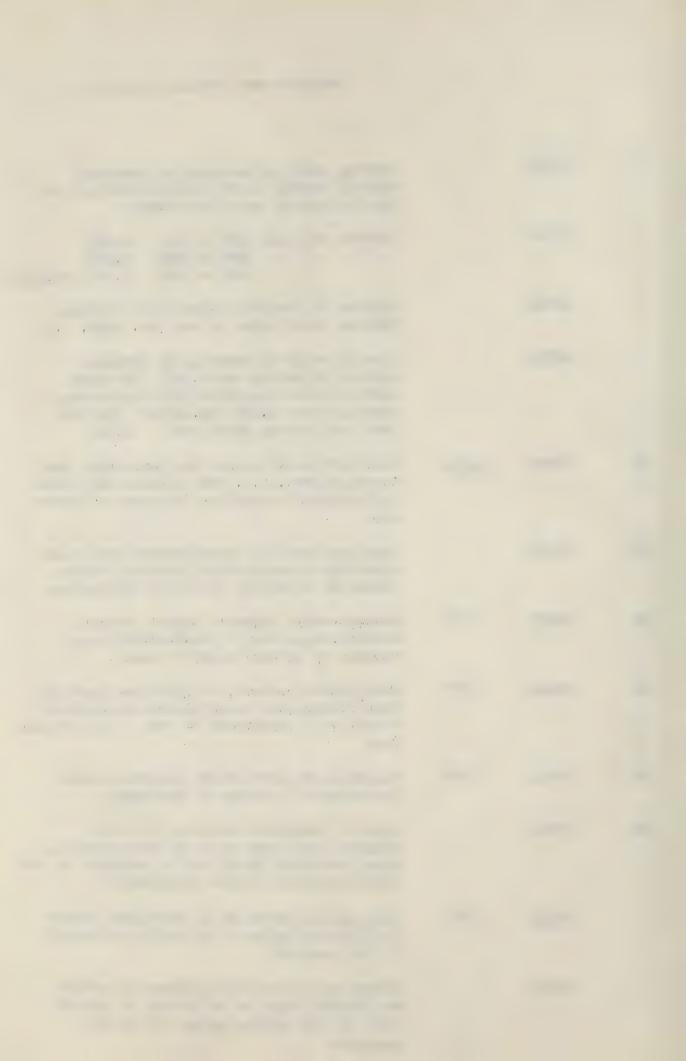
Harnings and Profits & Loss

Page in Brief	Heward's Argument	McRuor's Rebuttal	SUBJECT
4	17432	14287	Bearing of return on investment upon question of tariff protection
4	17436	14293	Ratio of earnings to invested capital
7	17454		Improved earnings in first two years after marger were made before good management made its effects fully felt
9	17486		Earnings and dividend records of old compa- nies had been unsatisfactory
10	17512		Statement prepared by Glassco showing invest- ed capital and earnings there on from 1905 to 1936 (Ex. 1232)
11	17533		Ratio of earnings to invested capital, 1906 to 1936
11	17533	18905	Earnings or profits showin in Ex. 1252 do not include secret reserves, but figures have been adjected for fluctuations in the reserves
	17540 17804	18905	Company's profits in 1933 \$725,589 instead of loss of \$614,683.36 as shown in page 2 of Ex. 1252; Loss being due to transfer of \$1,000,000 to Investment Reserve
12	17542 17804		Explanation as to how loss of \$614,000 arrived at
12	17543		Transfer of million dollars to Investment Reserve changes the average ratio of earn- ings to invested capital by less than one- half of 1% when spread over 30 years
12	17544		Cordon says Company's investments have appreciated by about half the amount of the million dollars which was transferred
	17545	18858	Average ratio of ear nings to invested capital throughout 31 year period amounted to only 9.12%
	17546		Company operated at about double capacity during war years



Earnings and Profits & Loss - 2

	17546		Average ratio of carnings to invested capital during 31 years (less alnormal war and depression years) was 8.28%
	17547		Aver ge earlings 1927 - 1931 9.61% " 1932 - 1936 4.84% " 1927 - 1936 7.20% (Ex.1232)
	17551		Figures of earnings include all earnings whether distributed or not (Ex. 1232, p.3)
	17555		Average ratio of earnings to invested capital 1906-1936 was 8.05%. For same period (Excluding 1916-1920) the average carnings were 7.56% (Ex. 1356) For ten year period from 1927-1936 6.95%
13	17564	145084	Value of a sects behind the investment must be considered, i.e. real present day value lying behind securities in hands of invest- ors
18	17606		Earnings should be commensurate with risk entailed in competitive industry. There should be stability in tariff protection.
18	17607	13992	Manufacturing industry should receive a higher return than a public utility on account of greater risks it runs
19	17608	13995	Earnings at present, in immediate past and near future must be considered in relation to value of investment at time of investigation
19	17615	13995	Earnings put back in the business should be included in value of investment
19	17615		Even if excessive earnings had been ploughed back into value of the property, these earnings should not be excluded in determining value of the investment
	17617	13995	Earnings in excess of a reasonable return left in the business are capital invested by the consumer
	17621		Heward says a fair and reasonable return to industry must be sufficient to permit part of that return being left in the business



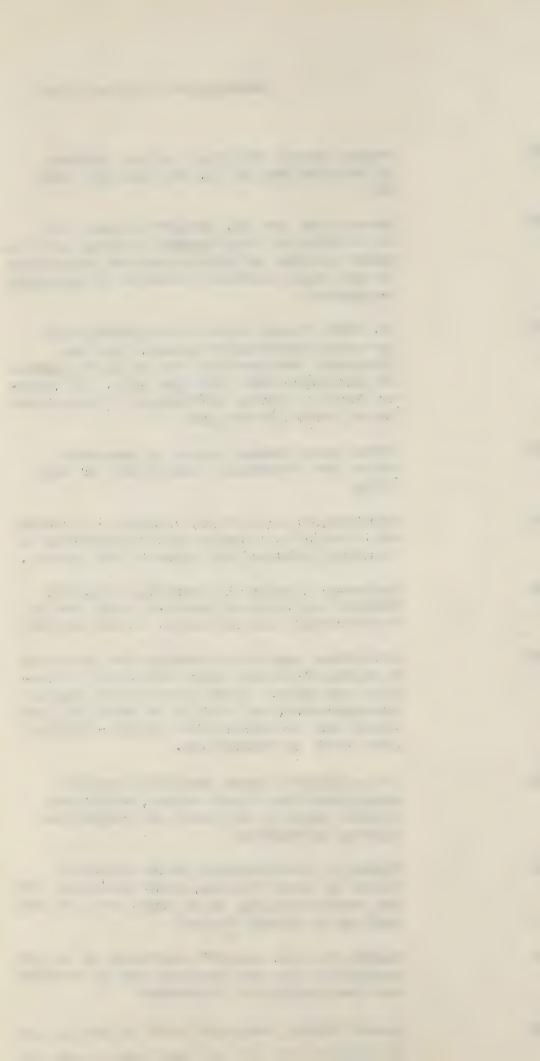
17683	Average annual return on capital invested in Dominion Textile Co. has been dess than 10%
17624	Heward says that Mr. McRuer's theory that it is improper for industrialists who have received special privileges from the Government to make large profits at expense of consumers is unsound
17625	Mr. McRue r says that if an industry asks for schething from Government, then the Government has something to say about quantum of privileges that they give them. If industry asks no special privileges it is entitled to any profit it can make
17626	Heward says returns should be reasonable aside from Covernment interference or anything
17627	Commissioner says if any industry is protect- ed it would be a misuse of its protection if it unduly enhanced the price of its product.
27 639	Protected industry if receiving a smaller return them industry generally would not be so attractive for investment of new capital
17630	Mr. McRuer says these earnings are more than a reasonable return under the tariff protection they have. Heward submits his figures are reasonable, and that it is the value lying behind the investment that counts - not how much stock is outstanding.
17631	If an industry under protection granted sarns more than a fair return, additional capital would be attracted and competition thereby intensified
17632	Virtually no investment in new plants in Canada in past 10 years, which indicates that the earnings during these years have not been such as to attract capital

17635 Heward thinks Government would object if part of earnings was not put back into a protedted

has been provided by consumers

Heward says Mr. McRuer's statement is without foundation that the greatest part of earnings

17633



	17636		Heward says natural increase in value of assets is quite legitimate and represents the value on which they are entitled to have a return
30	17640		Average rate of return in last ten years was 4.75% or considerably less than the interest rates on bonks outstending during that period
30	17640		Heward does not think this return would be raised much by reason of 1935 adjustments- about one third of 1%
	17644		Average ratio of earnings to net value of assets since 1920 has been 5.24%, and in last ten years 4.91% (Ex. 1356, p.3)
	17645		Average ratio of earnings since 1920 on value of investment as represented by bank indebtedness, bonds and preferred and common stock, was 5.22% and in last 10 years, 4.81% (Ex. 1357, p. 5)
	17646	18976 18860 18862 14516	Heward says return on investment taken on investment and cost and on value of investment has been most reasonable, and that these earnings indicate that existing tariff protection is not sufficient to ensure a reasonable return
	17647		Howard does not think they should have to suggest what a reasonable return would be but quotes one authority (the Privy Council) as saying that 15 % is not unreasonable
21	17648		In considering return on invested capital regard must be had to whether the industry has been properly managed. Heward says Dominion Textile has been prudently and
			economically munaged, as evidenced by small amount which administration expenses constitute of the sales dollar, 1.04 cents for 10-year period (Iv. p. 12846 & 12859 (f); Ex. 1230)
22	17649		In view of good management, Heward thinks they are justified in looking at returns on investment in relation to question of tariff protection as a guide to it. (Ex. 1232)

tion as a guide to it. (Ex. 1232)



22	17650& 17659	Exorbitant profits shown by Commission Counsel should be disregarded, first, because the premises are false, secondly, because propositions are based on erromeous principles, and thirdly, inferences and conclusions drawn are themselves erromeous. (Ev. p. 15747)
24	17663	Heward says it is immaterial what any parti- cular group of sharsholders paid for their shares the point being what did the Company earn on its investment at cost.
24	17865	Heward con tends it is the earnings of the Company as a whole which must be considered and not the earnings of the original common stockholders
24	17666	If it is attempted to use alleged sarnings on common stock, or on a portion thereof, or alleged profits made by com on stockholders, companies engaged in the industry would have to be classified according to various types of capital structure and a separate tariff devised for each one - Hemard says this is fallacious
25	17667	In calculating the amount of capital invest- ed, it is necessary to include all earnings or profits which have been left in the busi- ness by shareholders instead of being distri- buted
	17668	Mr. McRue r says he is only prepared to admit that the reasonable profit left in the basi- ness ought to be considered as capital on which the investor is entitled to a return in the stury of the sufficiency of the tariff
	17668	Mr. McAuer contends that the share of the profit that was left in the gusiness was in success of a measonable profit
25	17671 189	Heward says if there was an extra profit of \$17,000,00 resulting from over-depreciation, if it has not been paid out it should be added to capital (Nv. p. 12810)
	17671	Mr. McRuer says the profits should be added from year to year to the earnings



26	17671 18919	Heward says that instead of deducting \$12,000,000 it should have been left in and \$5,000,000 ad ed if statement on page 7 of Ex. 917 is correct.
	17756 17756	Reward says that if \$15,179,238 is over- depreciation it should not have been char- ged to profits
	17770	Howard criticises first item of write-off, \$5,067,065.33 which is referable to profits and loss account directly. He says this should be \$1,161,716.58
	17804	Loss of \$614,683.36 on investments shown in 1933 is justifiable because investments held by Company are part of its liquid assets and if liquid assets have been impaired it is proper to transfer funds from Surplus account to cover it. Apart from this loss, there was a shortage of \$10,471.22 for common share-holders.
	17818	Heward says this does not make any difference in the profits over a term of years
	17815	Haward submits that if the amounts described as inventory reserves by Commission Auditor were to be included it would have no material effect on the rescentage of earsings as shown in Ex. 1232, because if they are included in the Company's profit the additional equity represented by the balance of the reserve at the end of each year must be added to the invested capital. Such adjustments would amount to considerably less than one-half of 1% in the figures shown by Glassoo
	17818	Heward explains how he arrives at return on actual operating investment
	17624	Average ratio of net profits to invested capital, 1927 to 1936, on a cost basis, was only 7.8%
	17824 & 18942 17890	On cost basis the difference between the Company's book values of the old companies and Howson's figures is \$2,100,000.
	17825	Ratio of met profits to invested capital 1923 and 1926 to 1936



Heward says that if it had not been for outside investments of the Company would have been extremely small

17827

Profit made in raw cotton purchases

17828

Heward submits if it had not been for revenues from outside investments it would have been necessary to make further reductions in wages am earlier and possibly more drastic reductions in dividends to shareholders

17829 17834 Howard says that attempts to show that the company had any hidden earnings as a result of over-depreciation and charges to governments have failed and that profits shown are in relation to Company's invested capital have been remarkably low and inadequate in view of the risks involved

17833

Heward says return on sales dollar must be considered in relation to capital invested and where capital is turned over quickly a reasomble return on a sales dollar would be lower than where the capital is turned over more slowly

17875 18849

Heward says McAuer's calculation at pages 180 and 182 of his brief showing resition Dominion Textile would have been in, had it paid its bond interest, preferred and cormon stock dividens of 20% per amum on original \$300,000 whould be ignored; first, because it is fallacious that all the Company received for original issue of common stock was \$500,000; secondly, because it includes among the earnings of the Company the so-called secret inventory reserve; and thirdly, it is based on supposition that there was over-depreciation and betterments charged to profit amounting to \$15,011,356.89

17876

Heward will not say t at Com may has sarmed 20% in the past or that they want to do it in the future

17878

Heward submits that because there is something left for the shareholders it does not follow that the consumer has been improperly called upon to pay expenses or to pay the amount distributed to shareholders



Tacts show this Company is well managed 17878 and that profits have been kept at very low level

Since 1950, management of Montreal Cottons by Deminion Textile has improved hie position of Montreal Cottons. Loss of \$304,388,52 in 1930 but profit of \$330,513.30 in 1935

17889 Comparison between group of American ani Canadian companies and Dominion Textile Co. as to return on total investment in operation after eliminating goodwill and the return on capital stock equity after eliminating goodwill

Line 'C' in Chart Col-1 indicates that 17978 1919, 1921 am 1927 were the more profitable years in the Company's history since 1916, while the poorer years were 1924, 1930, 1933 am 1935

17979 Profitable yours came at be judged at together from charts because it only snows manufacturing angle and would not take into account a big rise in value of raw octton

Coxion mys really rolltable years were 1918, 1919 and to some extent 1920

1919 was most profitable year between 1916 and 1937 and 1921 came next

> After chroing full depreciation in 1934 for the first time since 1930 the manufacturing profit per pound was very moderate, but combined with a high production it resulted in the best indicated profit sinc a 1928

Unit profit is so low that it requires a great deal of volume to make a profit

> Schedule showing difference between income and fixed expenditures and the resulting smount of money or pool which was available between 1927 and 1936 to reward capital and wages (Ex. 1363)

> > Schedule shows point beyond which Company could not go in remnerating labour and capital without using up part of its accumulated capital

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18036	In 1927 pool was over \$7,250,000
18036	In 1935 it was only about \$4,500,000 In 1931, 1932 and 1935, only about half the normal depreciation as written off. If full amount had been written off, pool would have been smaller in each of those years by \$635,000
18037	Second schedule sows now pool was divided between labour and capital (Ex. 1363)
18037	Third schoolle slows respective investment of labour and capital for ten year period and the return of each in relation to 1927
18038	Schedule 2 shows that labour got 65% of the pool while capital received 35%
18038	After 1930 as pool became smaller so did labour's share in absolute amount, but not in proportion to capital's share due to labour's investment of man hours being less in 1931, 1932 and 1933
18059	Capital in 1935 and 1936 with an investment considerably greater than before 1929 is dotaining much less from pool than it ob- tained before 1930
18040	Schedule 5 shows that by 1933, for every 100 man hours worked in 1927 there were only 70 man hours worked in 1933, whereas for every \$100 carned in 1927 there was still \$23 being carned in 1955
19040	Carital includes all the amount available for preferred and common dividend, or for surplus, but bond interest is calculated in the fixed charges
19041	For every \$100 invested in the business in 1907 there was \$108 invested in 1933, but for every \$100 which mpital got out of the pool in 1937 it got only \$26 in 1933. In 1936 labour got \$99 and capital \$47
18059	Fallantyne submits that during the period of business depression we led by declining carnings, some downward adjustment of wage costs was essential

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18059 R.B.

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33 40	18059 18075	5.7. 15064	Rewards of other agents of production including capital and management, were not unreasonable or disporportionate on the basis of economic principles
53	18117		Profit from operations for year ended March 31, 1933, was \$357,215,78, leaving a not profit from operations of \$70,370.78 after deducting interest and premium on bonds redeemed
	18117		On account of diminishment of pool in 1931 1932 and 1933, it was necessary to draw upon surplus of the Company saide from the \$1,000,000 which was teken to cover invest- ments
	18041		Ballantyne submits that these statements show, first, the limits within which a company must operate when it recar is labour ont carital; second the manner in which the policies of the Company have operated in the division which was made between the funds evaluable each year as between carital and labour; and third, during these ten years the share of labour in the pool has be a increased relatively to capital



FIDANCIAL and OPERATING

DIVIDENDS

PAGE IN	HENAND'S A KEN TONE	REBUTTAL	
	17617	18840	Original investors of Dominion Textile Co. have received 98.4% on the money invested
	17619		Revart does not think amount members of Syndicate carned on transaction has any bearing on this inquiry
	17659 & 17661	18840	Here of subsits it is unjustifiable for Con lasion to take the cash contributions made in 1905, ignoring their other contributions, and figure out the percentage of dividends these shamholders would have received had they retained their investment
	19804		Loss of \$614,663.36 on investments shown in 1935 is justifiable because investments held by Company are part of its liquid assets and if liquid assets have been impaired it is proper to transfer funds from Surplus Account to cover it. Apart from this loss, there was a shortage of \$10,471.22 for common shareholders
29	17829		Barnings of Envestors in relation to Sales (Ex. 1230)
29	17831		Mistribution of sales dollar, 1927 to 1936 and percentage available for dividends (Ex. 1230)
	17833		Only 3.87 cents on each sales dollar was available for preferred and common stock in 1936 and 1935
	17887		Enterest of Dominion Textile is to get Montreal Coltons into a position where it can pay dividends on Dominion Textiles holdings of 16,000 shares
	18078	18645	Total dividens paid in Newer priod amounted to about \$24,000,000
53	18116		Percentage of met carnings from namufacta- ring and trading available for dividends expressed in a percentage of total sales, 1930 to 1936 (Ex. 517)



FINANCIAL and OFFRATING

DEPRECIATION

PAGE IN	HEWARD'S ARGUMENT	MCRUER'S REBUTTAL	
20	17639	18903	Total invested capital at cost \$9,887,379.75 i.e. after depreciation (Ex. 1232, p.3)
23	17652		Heward says it is not true that the Commany had written off the value of the tangible assets and that the write-off referred to by Mr. Howson was the reduction applicable to goodwill account and not a reduction in value of the Company's assets. The reduction was in the intangibles
	17653	18942	Howard says \$2,200,000 charged to operations and reserves for depreciation or obsolescent plant did not reach this figure until 1914, and that these charges were not excessive
	17653 17658		Write-offs for buildings and machinery between 1905 and 1914 was approximately 2.45% per ansum which Heward says is a very low figure
	17657		Any write-off for closing of mills would be included in \$2,200,000
23	17658	16903	Neward says substantial part of the write- off in 1912 and 1913 included in \$2,200,000 consisted in writing-off amounts applicable to goodwill
25	17671	18919	Heward says if there was an extra profit of \$17,000,000 resulting from over-deere-ciation if it has not been paid out it chould be added to capital (Ex. p. 12810)
26	17671		Heward says that instead of deducting \$12,000,000 it should have been left in and \$5,000,000 added if statement on page 7 of Ex. 917 is correct
26	17676		Heward says Cosmission Counsel admitted that value of physical assets is at least as high as shown on Company's books and that insurance appraisal of 1936 sho s it to be higher, but that there has been excessive depreciation and improper charges of betterments to operations



Heward says it is not justifiable to take an insurance appraisal as the real value of the Company's assets

17679

Insurance appraisal is intended to show insurable or burnable value of the property, is based on replacement costs less degreciation

17688 & 18906 17698 Heward says there is nothing to show that the surplus value shown by such an aperaisal as compared with net book value on a cost basis are the results of over-depreciation or charges of betterments to repairs

26 17689 17692 17693 17694 Heward submits that Glassco in his evidence stated he considered charged of betterments to repairs as being equivalent to depreciation (Ev. p. 13765 and 13789)

17690 17691 Heward defines the term 'betterment'
In 1906, Company charged to operations
nearly \$200,000 for betterments and repairs
Heward says the Company did not depreciate
at that time and that was its method of
providing depreciation to write-off betterment to repairs, Company did not start
writing-off depreciation until 1918

17691

Practice of Company up to 1918 was to make charges to operations and reserves for depreciation or obsolescent plant and also for betterment

17693

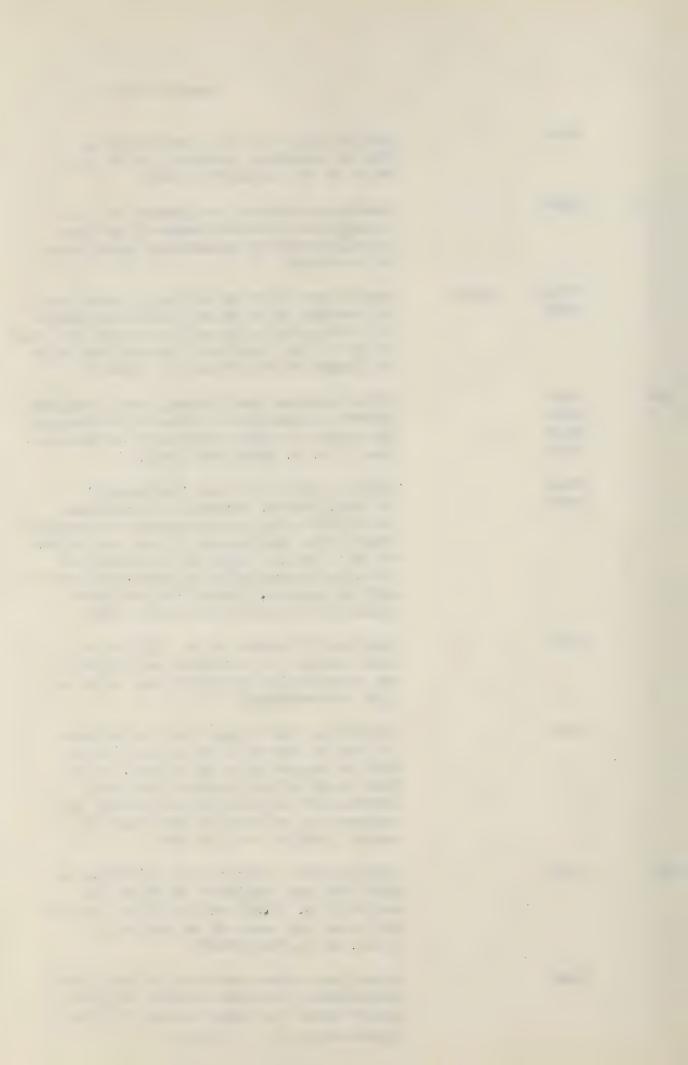
Company has not charged any betterments to repairs unless it has shown them as such as depreciation at anytime. Since 1918 certain fixed amounts have been written off for depreciation without any reference to particular betterment or repair previous to that time

26 17694

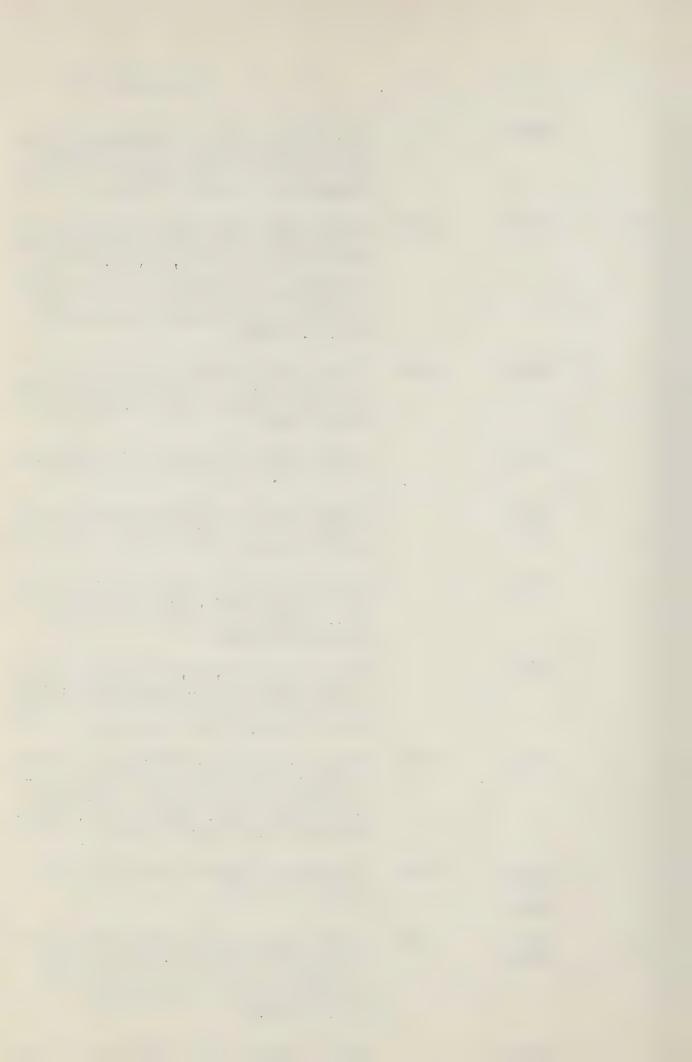
Company never wrote-off for depreciation more than was permitted by Income Tax authorities. 138% written off on cost of buildings and about 6% on machinery (Evid. p. 13,766, 13840)

17694

Heward says there has been no proof that betterments have been charged to repairs except where they were charged in lieu of depreciation (Ev. p. 12851)



	17695		Mr. Howson objects to statement that his representative could not find anything that should have been charged to capital account that was not so charged
27	17699	18919	Heward submits that computations on page 7 of Exhibit 917 does not establish that this extra value (\$17,265,728.17) when compared with depreciated cost, was due to excessive depreciation or to improper charges of betterments to operations (Ev. p. 12859A)
	17712	18930	Heward says appraisal values in 1936 were the same as in 1920 and that values of a year ago were substantially above their costs
	17712		Heward submits this proves his contention that Company has not over-depreciated
	3 1212124		Heward says that if \$15,179,238 is over-
	17734 17754		depreciation it should not have been char- ged to profits
	17750		Heward submits that information obtained from Textile World, Loper and Sirrine & Co., indicates that there has been no over-depreciation
	17750		Difference of \$4,000,000 between present book value and 1936 insurance appraisal might be accounted for by the extra values quoted by these three informants
	17751	18935	Heward says it is a fundamental function of depreciation charges to rateably extinguish the cost of fixed assets over their useful life, and therefore, depreciation charges must be based on cost
	17752 18937 18943	18943	Depreciation based on cost and not the written up value
	17760 17758	18939	Heward maintains that depreciation amounts to only \$2,696,005 or .845% per annum from 1920 to 1936 on average value of buildings plant and machinery of \$19,953,040.50
	17760		Heward says the whole difference between himself and Commission Counsel is that it



is not proved that Company has charged any betterments to repairs, improperly charged any repairs to operations and that better-17760 ments were charged to mouirs only in the early period before Company had any degreciation and they were charged in lieu of dep mediation 17761 When decreciation was set us. instead of charges for betterments and repairs disappearing they increased 17767 Heward contents that books of Commany show they wrote-off only \$4,038,874.56 prior to 1920 wainst plant and machinery which cost the Company \$13,425,933.76 17768 Heward aya Comission figure of (11,624,302.52 18938 should be (13,425,903.76 or a difference of \$180,576.21 as regard the original cost and by 3621,065.03 as reper cost of additions or a total of \$801,631.24 am the cost of plant and mm chinory 17770 Herard writicises first item of write-off, \$3,067,065.53, which is referable to profits & loss account directly. He says this should be \$1,161,716,58 17773 Hemari says item of de reciation account \$3,059,237.60 is correct but that 3563,479.86. reserves taken over from oli commay, is inaccurate and should be nil 17773 Classco mys they are in mibst utial acrosse it on the figures except as regards repairs and betterments He ard submits that only ground on which it 17774 can be established that \$17,256,728.17 is secret profits is by considering the replacement we be now, in 1936, of all the Commany's fixed assets as being exactly equal to the original cost; in which case the Co many should have provised depreciation from 1905 to 1936 only in the amount necessary to reduce the cost of \$28,649,648.57 to the depreciated value. as per 1936 appreisal, mately (11,185,63; a total of \$6,666,015.57 in 31 years, or an

average of \$215.032 per annum

Department

Rates of de recition allowed by Income Tax

· 1

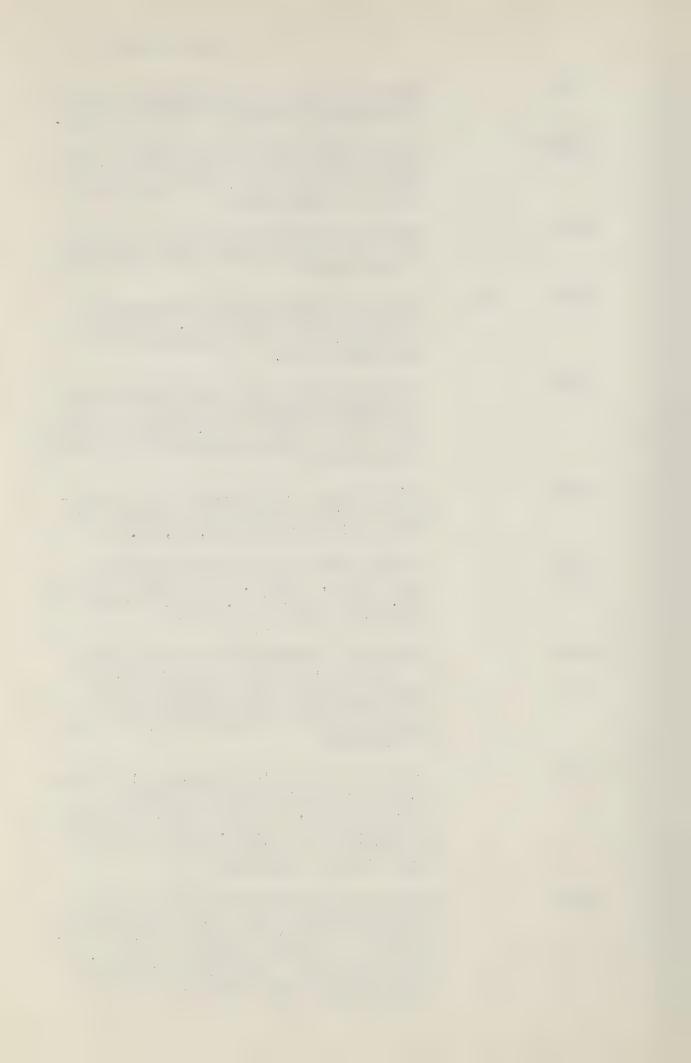
17782 Gordon says they did not want more than the 6% depreciation allowed by Income Tax D. t. 177948 Heward admits that supplies would be inclu-17796 ded in original cost of plant if they were starting up a new mill. No depreciation is charged on these things 17795 Heward says equipment or supplies have not been put in the plant and then written down by depreciation 17796 18943 Equipment or supplies must be charged to either operations or capital. If charged to capital, they must be written off in their useful life. 17796 Heward says Income Tax Department will not let anyone depreciate anything that is not capitalized on their books. Dominion Textile depreciation checks out exactly with Income Tax Department 17797 Amounts charged to operations for depreciation repairs betterments and equipment from 1906 to 1936 amount to \$38,065,816.39 17798 & Average annual charge to operations for 17803 depreciation, repairs, betterments and equipment, 1906 to 1936 is 7.8% of the average annual cost value of the assets

Heward says criticism that amounts charged for depreciation appear to be regulated by amount of profits earned by the Company rather than any policy of determining the amount required for depreciation, is hardly

well founded

Practice of Income Tax Department is to assume, in cases of taxpayers who have had no taxable profits, that only 50% of the normal depreciation has accrued. Heward says this has nothing to do with price but has to do with volume of operations

Heward submits that depreciation rates are properly set on a basis which will extinguish the cost of the fixed assets over their useful life if they are properly cared for, and that if they keep their plant well repaired they should not have to depreciate them



17803 If maintenance is neglected the life is

sh or tened

17821 Heward says that on page 13 of Ex. 917

Howson has show very high percentages of profit in manufacturing operations and deducts from common share equity the \$12,000,000 which represents part of the value of the investment. Heward states that if Howson is right in his statement that the Company had over-depreciated by \$7,000,000 this figure should be \$5,000,000

higher

17823 Heward objects to the deduction of \$12,000,000

and says it should be carried into profit as it is part of the value of the investment

17826 Depreciation taken in 1931 to 1936

18006 In 1931, 1932 and 1933 only about half the

normal depreciation was written-off. If full amount had been written off pool would have been smaller in each of those

years by \$635,000

18116 Amount written off for depreciation in

1931, 1932 and 1933 was \$635,572.00 as compared with between \$1,000,000 and \$1,600,000 in the other years of 10-year

period

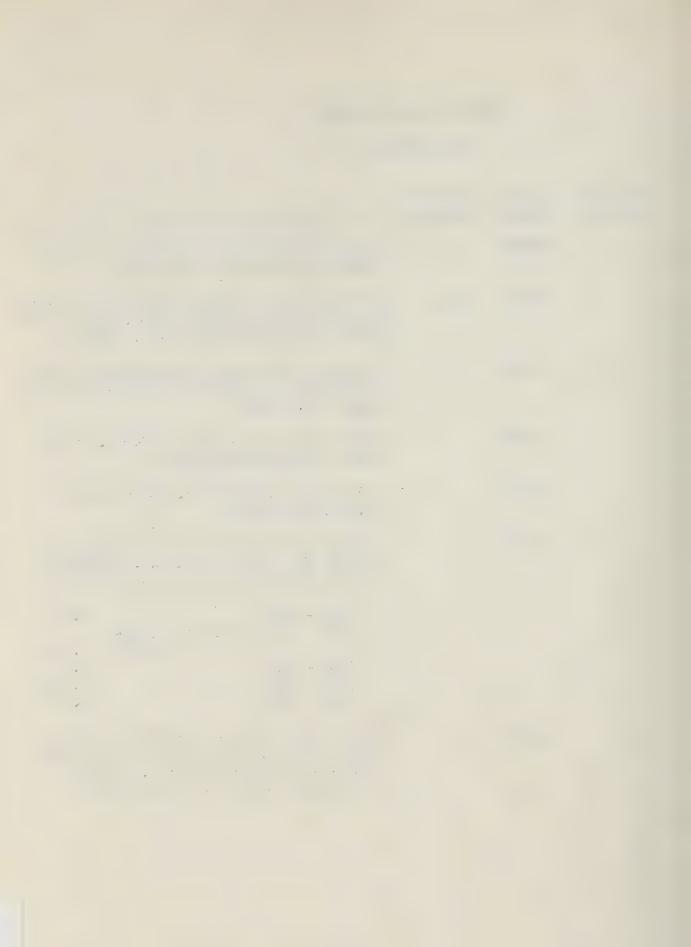
17755 18919 Heward agrees with Commission Counsel's

figure of \$17,875,243 charged to depre-

ciation

annual day recommendates and control and control

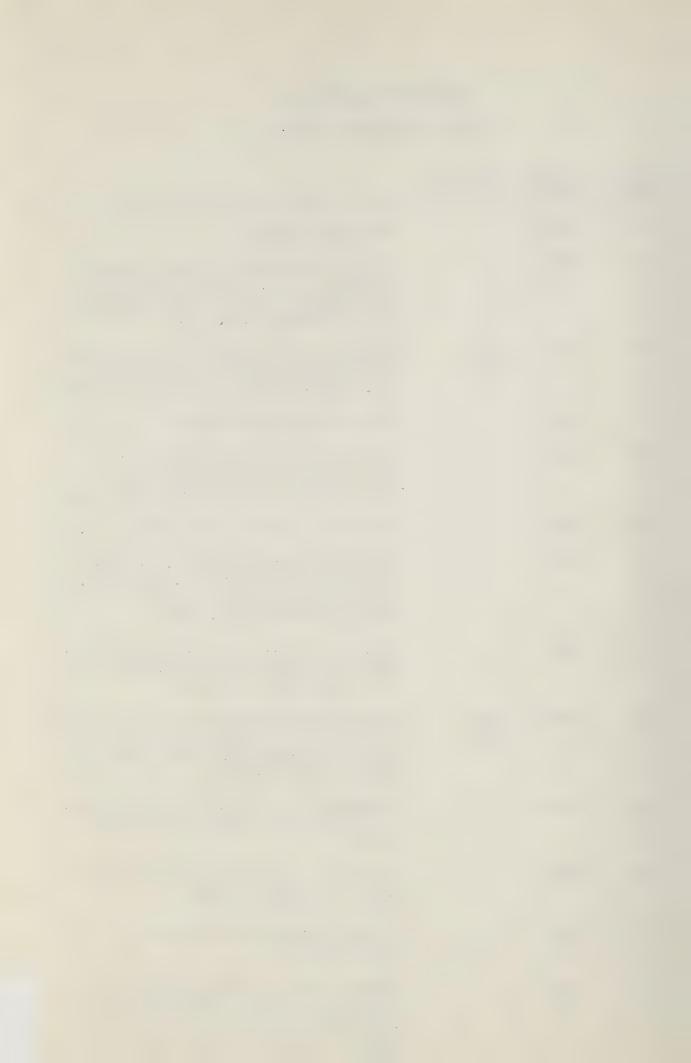
PACE IN	ENERGY CO		O U D Z E O T	endpringste, dan sekr Visk row i skourter effourteriolds
	17557		Doubtful whother back loom store cluded in permanent investment	la be in-
	17557	18784	Each loans are usually made only ce business at inventory peak, as part of invested capital (Ex. 13	nd are not
	17559		Commany's borrowings from banks ; ly in form of overdenfts or not t ances (Ex. 1887)	
	17560		Bank loans fown by carrly 3,000	,000 in
	17561		S1,900,000 in 1921	minst
	17861		Aver ge ratio of net rafits to capital on a cost basis, i.e. in bank loans funted but and cormon	cluding
			1906 - 1936 1906 - 1936 (excluding 1916- 1920) 1927 - 1936 1927 - 1931	7.77 7.32% 6.8% 8.61%
			1932 - 1936	4.92%
	17679		Heward says value of investments value of not assets of the Compa behind the investment bonds, pre and common stock but not bank lo	ny lying forred



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PAGE IN	ic wan's Argin by	MCRUER'S REFUTAL	The second section of the second second section of the section of the second section of the section of the second section of the section of th
5	17438		Syndicate agreement
5	17444		Extract from minutes of shareholders meeting Jan. 27, 1905 held for purpose of allotting shares and approving offer of Syndicate (Ex. 512)
6	17447	18908 18846	Statement as to securities issued upon acquisition of constituent companies (or. 1832)-Tangible and Integrille assets
7	17454		Value of intangible assets
7	17454		Improved cernings in first two years after merger were made before good management made its effects fully felt
8	17455		Summary of Symitoate transaction (Ex.331)
8	17457		Letter from Royal Trust Co. to Colonial Bleaching and Printing Co. dated Dec. 29 1904 submitting offer of purchase on be- half of Syndicate (Ex. 331)
8	17471		Trensfer of stock and bonds from Syndi- cate to Company is one indivisible con- tract and cunnot be split up
8	17472	18824 18826	Heward says acquisition from shareholders of shares of old companies at less than real value proves shares were worth more than was paid for them
9	17473		Potential value of shares of old compa- nies depended on success of new enter- prise
9	17474		Old wher s should be valued at least at value of tangible assets
9	17475		Serious position of old companies due to bad management
9	17477		Value of old companies enhanced after amalgemention due to good management, etc. and also the putting up of one million dollars to rectify liquid asset position



9	17477	Shareholders of old companies had to take less than net value of physical assets on account of difficult financial position they were in
9	17481	Members of Syndicate who were also share- holders and directors of old companies
9	17482	No interlocking between directorates of old companies
9	17483	Heward says that second lest paragraph of Royal Trust Co. receipt (Ex. 350) does not indicate that the shares were to be voted to put through the marger
9	17485	Reasons why syndicate was able to acquire from shareholders of the old companies the shares at less than their real value (Ex. 328, p. 4 and 5)
9	17486	Earnings and diffidend records of old companies had been unsatisfactory
	17492	Directors meeting, January 29, 1902 - Proposal raceived for acquisition of Merchants Cotton Co. (Ev. p. 5748)
	17498	Directors Meeting Dec. 11, 1903 Memorandum re sale of net assets of Merchants Cotton Co. to Dominion Cotton Mills - Proposal to take over Colonial Bleaching and Printing Co Neither pro- posal accepted by Dominion Cotton Mills (Ev. p. 5751 and 5762)
	17501	Directors Meeting, December 14,1904 Directors returned offer which had been sent by Royal Trust Company to be transmitted to shareholders (Ev. p. 5764A)
10	17502	Shareholders of four old companies were willing to part with their shares to Syndicate at a sacrifice. Old companies were in demoralized state, but properties had great potential values
10	17503	Value of new Company was well worth the securities which they issued for them to the Syndicate

received had they retained thier investment

10	17305		dynicate took risks in investing new capital in old companies. When merger was consummated in 1905 prior liabilities concurred to \$1.,367,161.38
10	17506		Lisbilities of old companies at time of merger
	17508		That Syndicate poid for shares of old companies impaterial for purposes of inquiry; what is material is value of the assets which lay behind the shares Dominion Textile Company has received
	17515		Considered assets of ol communics sequi- red a greater value to Syndicale than what Syndicute had paid for them separa- tely
	17516		Assets of old companies were wurchseed at their actual dash value, not on their book value
	17519		Old Companies were in distress because they had run themselves shor of working cash due to condition of the industry, competition with each other and poor management (Mr. McAuer does not agree)
	17520		Sech me of all congamics was extitled to receive best price they could get for their assets
	17521 17524		Hount outends that 'value' means some to coment value
	17632		Issue of new a news by Domi ion Textile Co. in 1928 was for purpose of acquiring the Sherbrooks and Drusmondville plants
22	17650	19825 18835	Memard subsits that Comman received vary much some than 3000,000 in cash for its original issue of \$5,000,000 common stock. It received tangible assets of a replacement value of \$2,094,000 and intengibles of considerable value (Ex. 917)
23	17659 17601		Heward submits it is unjustifiable for Commission to take the cast contributions and in 1905, ignoring their other contributions and figure out the percentage of dividends these shareholders would have



23	17659	1882 4 18838	Heward challenges statement that all company received for its original common stock issue was \$500,000
23	17660		Members of Syndicate risked half a million dollars in backing their judgment with \$13,000,000 worth of liabilities shead of them
	17662	18883	Distressed chareholder of old Company got all he was entitled to
24	17 663		Heward says it is impaterial what any particular group of shareholders paid for their shares, the point being what did the Company carn on its investment at cost
	17787		\$2,375,000 paid for Mount Royal Plant in 1921
	17538		Howard says it is possible that if four old companies marged in 1905 had carried on independently until some of them were bankrupt the excessive competition which existed would have been climinated or lessened, but with disastrous results to the companies the shareholders and employees and that an enhancement in price would have followed. Herard submits that the climination of excessive competition in an orderly and constructive manner was bester for all concerned
	17846		It was the unhealthy competition that was forcing these old companies into bankrup-try so that they had to sell at sub-cost prices
	17646		Herard submits that competition is not detrimental to the consumer unless it results in improper increases in prices which the latter pays and that there is no evidence to show that there was such an increase in prices after the merger or that prices were improperly high after the merger



No evidence that prices went either up or down after themerger

17875

18849

Heward says Melius r's calculation at pages 180 and 182 of his brief showing what position Dominion Textile would have been in had it paid its bond interest, preferred and common stock, dividens, of 20% per an um on original \$500,000, should be ignored; first. because it is fallacious that all the Company received for original is sue of common stock was \$500,000; secondly. because it includes among the earnings of the Company the so-called secret inventory reserve; and thirdly it is based on supposition that there was over-depreciation and betterments charged to profits amounting to \$16.011.356.89

17885

Heward says there is no evidence that Dominion Textile is gradually acquiring shares of Montreal Cottons in order to get complete ownership as cheaply as possible and in that way any as little dividends and buy from it at as low a price as possible

17885

Dominion Textile had acquired voting control of Montreal Cottons by end of 1930

17885

Explanation by Heward as to manner in which shares of Montreal Cottons have been acquired by Dominion Textile Co.

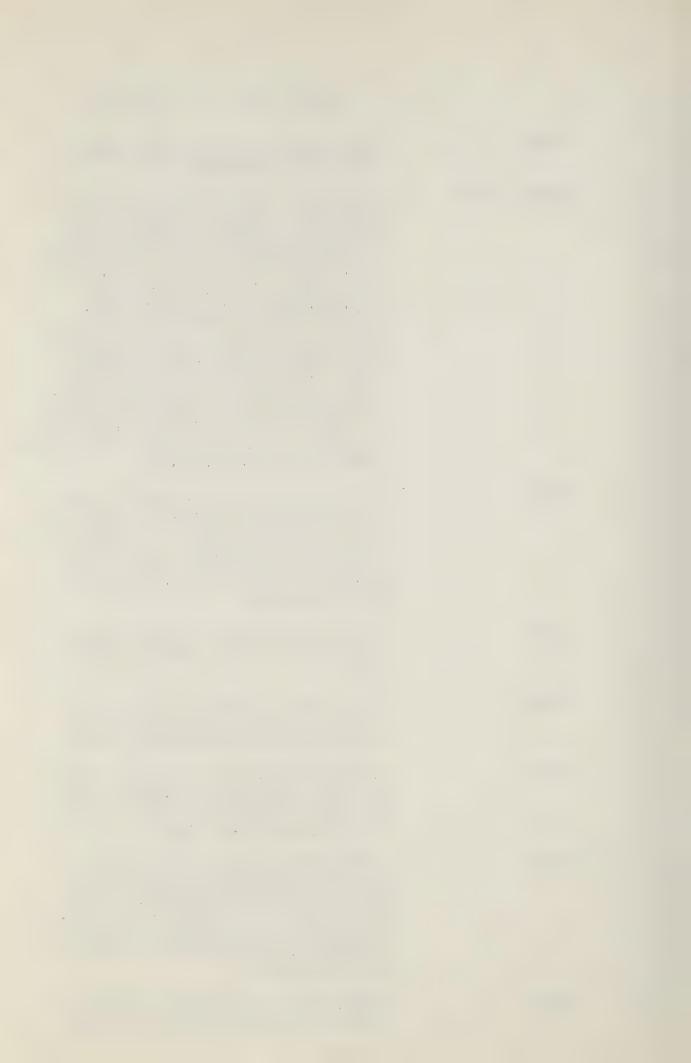
17867

Interest of Dominion Textile is to got Montreal Cottons into a position where it can pay dividends on Dominion Textile holdings of 16,000 shares

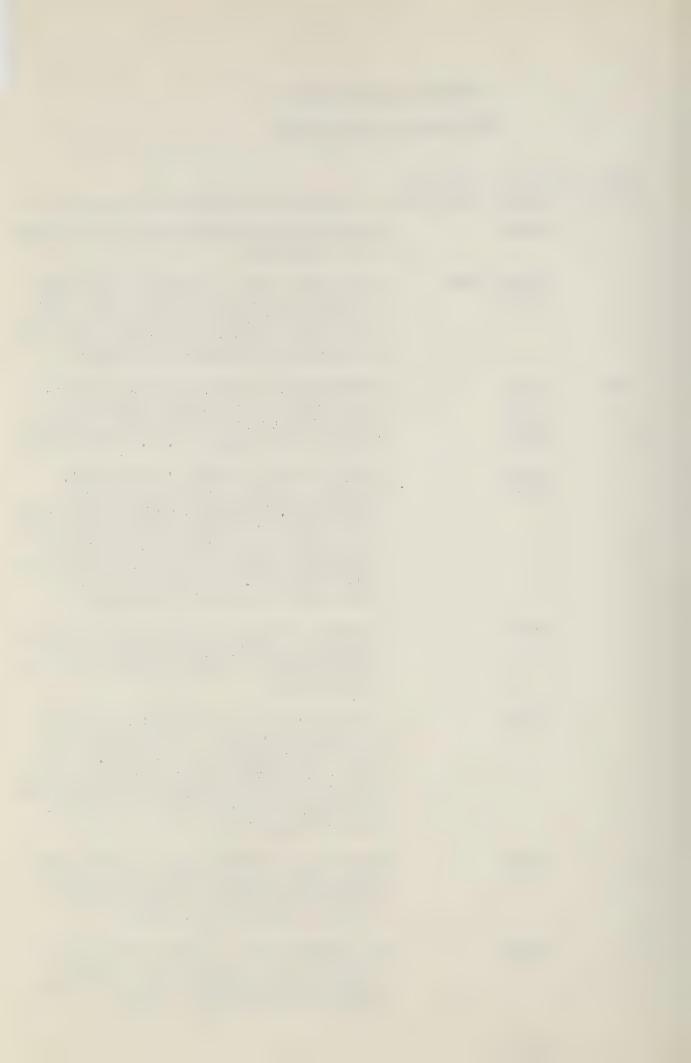
17888

iteward says amalgamations and mergers does not necessarily mean that there are now less people employed, because plants have been enlarged and extended. History of Campany shows there has been a general trend of increase in number of its employees

Sherbrooke and Drusmondville companies taken over by Domision Textile in 1950



PAGE IN	ENVARON S	MONTO POR	
	17656		Haward mays betterments similinot be char- ged to operations
	17688 17698	18906	Heward cays there is nothing to show that surplus value shown by such an apprecial as compared with not book value on a cost basis are the results of over-depreciation or charges of betterments to repairs
26	17689 17692 17693 17694		Heward submits that Glassoo in his evi- dence stated he considered charges of betterments to respire as being equiva- lest to segreciation (v. p. 12763 & 13780)
	17690 17691		Howard defines the term 'betterment'. In 1906 commany charged to operations searly '200,000 for betterments and remains Heward says the C mpany did not depreciate at that time and that was its method of perovising de recistion to write-off betterment to repairs. Commany did not start writing off depreciation until 1918
	17691		Practice of Company up to 1818 was to make charges to operations and reserves for depreciation or obsolescent plant and also for betterment
	17693		Company has not charged any betterments to repairs unless it has shown them as such as depreciation at any time. Since 1918 certain fixed amounts have been written off for depreciation without any reference to particular betterment or repair previous to that time
	17694		Heward mys there has been no proof that betterments have been charged to repairs except where they were charged in lieu of depreciation (Sv. p. 12851)
	17695		Fig. However objects to statement that his representative so 1d not find enything that should have been charged to capital account that was not so charged



17699	18919	Heward submits that computations on page 7 of Ex. 917 does not establish that this extra value (\$17,265,728.17) when compared with depreciated cost was due to exceesive depreciation or to improper charges of betterments to operations (Ev. p. 12859A)
17756 17758		Heward says there is no suggestion that in period 1920 to 1936 any betterments have been improperly charged
17760 17763		Howard maintains that depreciation emounts to only \$2,696,005 or .845% per amount from 1920 to 1936 on average value of buildings, plent and machinery of \$19,953,040.50
17760		Heward says the whole difference between himself and Commission Counsel is that it is not proved that Company has charged any betterments to repairs, improverly charged any repairs to operations and that betterments were charged to repairs only in the early period before Commany had any depreciation and they were charged in lieu of depreciation
17761		Then depreciation was set up, instead of charges for betterments and repairs disappearing they increased
17764		Heward says if Company had been improper- ly charging capital direct to repairs, Income Tax auth orities who had carefully exemined the books would have noticed it and made careful inquiries if they had seen any unreasonable charges to operations
17773	18790	Classes says they are in substantial agreement on the figures except as regards repairs and betterments
17785 17786 17790		Large amounts charged to operations for repairs during ser years was due to excessive wear and tear
17786		Heward says that the large amount charged

of war profits

to operations for repairs in 1921 was not in the nature of replacing their plant out



18943

Charges to operations for equipment were not kept separate in all the mills until 1927; previous to that time it was included in repairs account

17796

Howard mys Income Tax Department will not let anyone depreciate anything that is not capitalized on their books. Desirion Textile Co. depreciation checks out exactly with Income Tax Department

17797

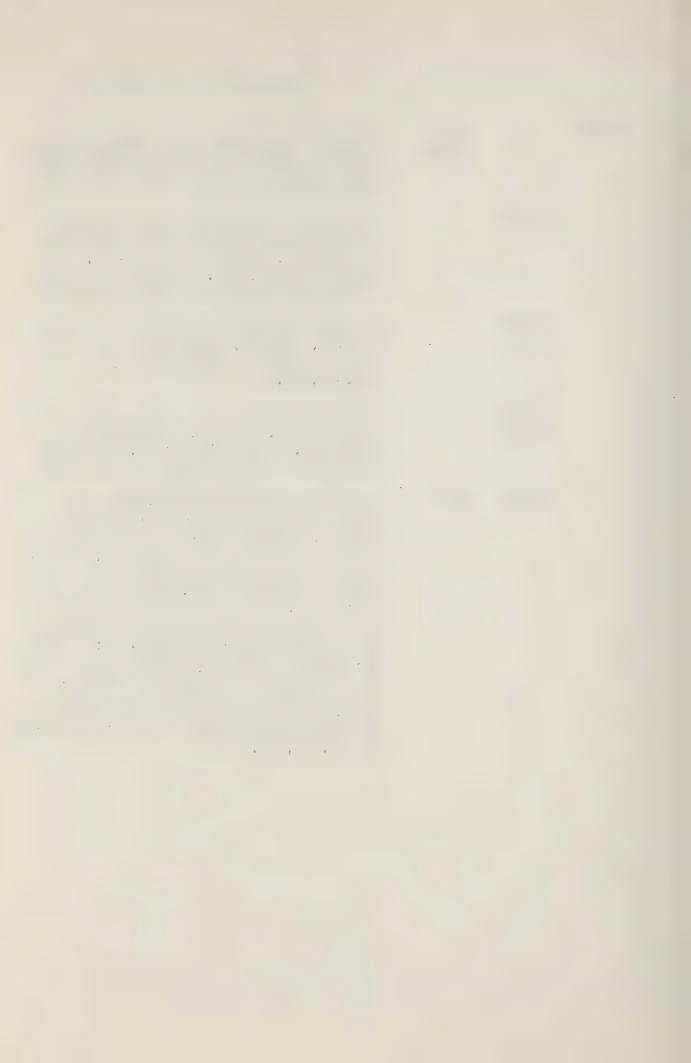
Amounts charged to operations for depreciation, repairs, betterments and equipment from 1906 to 1936 amount to \$38,065,816.39

17798

Average annual charge to operations for depractation, repairs, betterments and equipment, 1906 to 1936 is 7.8% of the average annual cost value of the assets

17875 18849

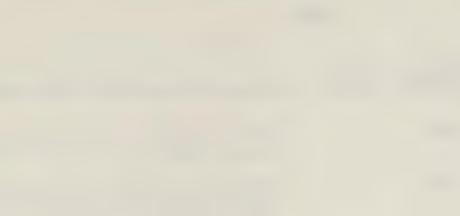
Howard says McRuer's calculation at pages 180 and 182 of his brief showing position Dominion Textile would have been in had it paid its bond interest, preferred and common stock dividends of 20% per annum on original \$500,000 should be ignored; first, because it is fallacious that all the Company received for briginal issue of common stock was \$500,000; secondly, because it includes among the sarnings of the Company the so-called secret inventory reserve; and thirdly it is based on succession that there was over-depreciation and betterments charged to profits assuming to \$16,011,356.89



Fill Ciff and Or Little

COSTS

P GE IN HEWAND'S MORUM'S	
17808	Heward explains to scost or market value
17809	figure at which they could be readily sold in the condition in which they are at the time they are taken in
17810	He ard sage their inventory walnes are in some cases below cost or market value
17861	Howard says statement of Carmission Cous- sel that very few of the companies keep such records as will enable them to state accurately what their cost of production is for any particular fabric does not apply to Dominion Textile Co. (Evic.p. 1794, 1802, 1828, 1830 and 1841)
17862	Lover eact system installed by orinion Textile in 1921; Montreal Cottons in 1980
1.7853	Here d says it is impossible to ectually measure cost of production for any one fabric or type of yern in a mill
17854	Extracts of "25 Years of Accounting Ex- perionce" by Geo. Oliver May
17856	brings to bear enmachinery the cost that should be allocated to the machinery and then the production through these ma- chines bears its share of that cost
17057	Explanation of hos standard cost system works
17:58	"Audit Theory and Fractice" by Nobt. M. Montgomery
17860	Reward says form 16-A does not call for a reconciliation between standard cost and operating cost sheets



	17862		Howard says there is a discretancy of 14.6% in power and fuel between their standard cost system and general books of account, and a discrepancy of 57% in mill general expenses
	17862		Standard costs are based on standard operation and when costs are applied against short time operations smaller figures are obtained than appear in the profit and loss account
	17863		Production of 132% of the standard at Hagog up to March 1, 1936, was due to the fact that they were operating about 38% above standard
	17963	18977	Line "H" on Chart GG - 2 represents the average cost prumit of production to the consumer (customer)
	17998	18977	Cost of goods to the consumer if there were no duties or only very low duties on imported goods
	17999 18001		If 50% of business being obtained under protective tariff was lost, manufacturing costs and salling prices would be higher than under existing conditions
	18077		Ballantyne thinks that 10% for administration and selling would not have been extravagant. Amount saved, therefore, amounts to nearly \$35,500,000 and is entirely due to good management
47	18102		Relationship of wages to (a) Cost of production, and (b) Total salaries and wages
4.7	18102		Mill wages form second largest item of production cost
47	18102		Em ibit 1930 (distribution of sales dollar 1927-1936) shows importance of mill wages as an element of the sales dollar



	17788	Verdun plant purchased from Government and new machinery put in in 1920
38	18070	Fessenden quotes an American Textile expert's opinion as to Canadian manu-facturers producing at lower cost by meens of up to date equi ment
	18071	Ballantyne mays the efficiency of the Company as shown by the evidence has been pretty well recognized
48	18077	Se ling and administration costs in first 30 years of Company's existence encunted to \$10,500,000 during which time the Company sold \$460,000,00 worth of olds. Batio of cost for selling and administration was 2.3%



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COMPTON CONTON MILLS

PAGE IN	ERWALD*S ADCIDENT	Makhin's	SUBJECT CONTRACTOR OF THE PROPERTY OF THE PROP
10	17487		Dominion Cotton Mills Co Report to shareholders April 9, 1897 (Ev.p.5752)
	17487		Report to chambolders, 1898 - Company become its own selling agents. (Ev. p. 5735)
	17488		Minutes of Directors meeting, Dec. 27, 1899. Heavy expenditures for increasing and remodelling mills. \$1,000,000 borrowed from banks (Ev. p. 5740)
	17489		Minutes of Directors meeting, June 26, 1900 - \$1,000,000 Preference stock issued to retire loan (Ev. p. 5743)
	17490		Annual Meeting, 1901 - Only \$163,800 of \$1,000,000 Preference stock issue subscribed for. (Ev. p.5745 and 5746)
	17491		Directors Meeting Oct. 31, 1961 - Pay- ment of quarterly dividends not made
	17492		Directors Meeting, January 29, 1902 Proposal received for acquisition of Merchants Cotton Co. (Ev. p. 5748)
	17495		Annual Meeting April 7, 1902 - Disastrous year due to purchases of cotton at high prices. New management appointed. Solling given to outside firm (Sv. p. 5751)
	17496		Annual meeting, April 27, 1903 - Satis- factory year under new General Manager, but no covered dividends paid (Ev. c. 5754)
	17497		Director's meeting, September 1903 - Meeting of cotton mill representatives called by Mr. Clouston in endeavour to learning about better relationship between companies (Mv. p. 5755)
	17498		Directors Meeting, December 11, 1903- Memorandum re sale of not assets of "Merchant & Cotton Co. to Dominion Cotton

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Mills .	- J ³	ropos	al.	to	tes	ko	OA	br	Colonia	al.
Blonch	i me	and	Pri	111	ne	Co	*	No	ithor	
propos	al	accer	ted	by	1 1	omi	MI (DB	Cotton	
Hills	(Kow	* P*	576	1 a	nd	57	书君)		

17800 Annual Meeting, April 1904 - Reduction in floating liabilities by nearly \$800,000. No dividend paid (Ev. p. 5764)

Directors meeting, December 14, 1904
Directors returned offer which had been sent by Royal Trust Company to be transmitted to shareholders (Ev. p. 5764A)



PINIMIAL AND OVERTINO

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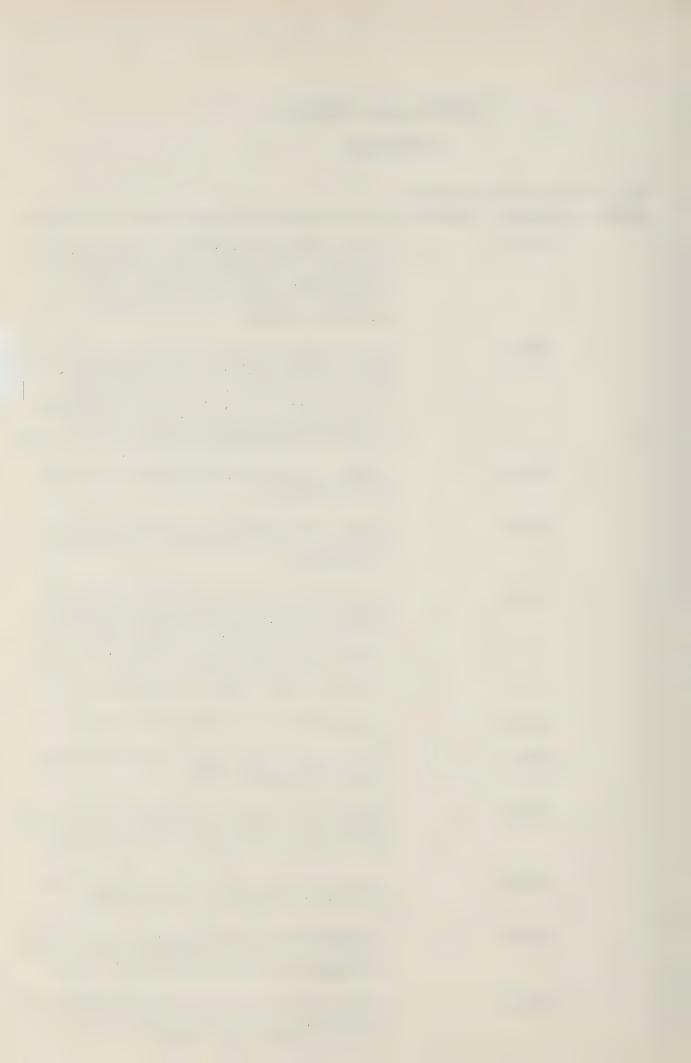
TOTAL TO		MORNIN . 13 His Essa PAL	18 U 18 J 1 G T
	17790		Charges for equipment are not charges for machinery or permanent installations; they are for consumable equipment which are in the nature of supplies, such as bobbins, spools, shuttles, etc.
	17788	18943 18944	Charges to operations for equipment were not kept separate in all the mills until 1927; previous to that time it was included in repairs account
	17794 17796		Howard admits that supplies would be in- cluded in original cost of plent if they are starting up a new mill. No deprecta- tion is charged on the things
	17795		Heward says equipment or supplies have not been sut in the plant and then written down by depreciation
	17796		Equipment or supplies must be charged to either operations or capital. If charged to capital they must be written off in their useful life
	17797		Amounts charged to operations for depre- ciation, repairs, betterments and equip- ment from 1906 to 1936 amount to \$38,065,816.39
	17798 17803	18942	Average annual charge to operations for depreciation, repairs, botterments and equipment, 1906 to 1936, is 7.8% of the assets



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Application or service properties of the service of

PAGE IN HEWARD'S MONDER'S	
17694	corpany never erote-off for despeciation more than was permitted by Income Tax separtment. 1.8% written off on cost of buildings an about 6% on mechinery (Iv. p. 13766, 13840)
27764	Hearri seys if Co pany had been improper- ly charging capital direct to repairs, Income Tax officials who had carefully exemined the books, would have notised it and made careful injuiries if they had seen any unreasomable charges to corretions
17776	Hates of depreciation allowed by Income Tex Department
17782	Gordon mays they did not want more than the ed depreciation allowed by Income Tax Department
17800	Practice of Income Tax Deportment is to assume in cases of taxpayers who have had no taxable profits, that only 50% of the normal depreciation has accrued. Essent says this has nothing to dowith price but has to do with volume of operations
17806	Only \$6000 paid in Income Tex in 1935
27806	Income Tax on operating revenue was in- cluded in solling price
27898	Leone Tax beartest accepted the Colory's basis of inventory valuation for years and it has fully explained to them in 1934
17878	Income Tax is a tax which is imposed on the Company not on the shareholders
1780	In England the tax which the income share- holder has to pay is deducted and there is no separate tax on the Company's income
17660	Gerari days all their montes come from the consumer; and all taxes form part of the selling price of the goods



17880	Corpany said Sel9,541 in these to various governments all of which came from the consumers
17881 17888	Heward says if Company had not had to pay those taxes it might have been able to re- duce selling price
176-2	Both consumers and therefolders suffered on account of these takes
17682	If tax is added to sales wrice of goods Company tries to get it out of the goods
13945	Heward objects to statement made in Thrento Star that Dominion Textile Co. falsified its income tax returns



FINANCIAL and OPERATING

THE ACTA ALOR - VIGOTONS

PACE IN	KINWARA*S	RONLER'S	SUDJROZ
13	17566	15992	Elucfield Jeter orks & Depresent Co. vs Public Service Commission of the Sta- te of West Virginia
14	17574		State of Flamuri ex. rel. Foothwestern Ball Telephone Co. vs Public Tervice Commission of Missouri
16	1.7575		VoCurile et al va latiema polis Enter Co.
16	17578		City of Toronto and Toronto Ry. Co.
16	17979 1756		Canada Coutiern By. Co. and International Bridge Co.
17	17565		Az. T. Cometon T.A. & G. Co. Ltd.
17	1756		Restern Polls, 19 Camedian halbay cases
19	17610		Take of shat it would sost for allition- al plant for proper expansion is an im- portant element, assuming that it is the desired policy of the country to protect the industry
19	17615		Durnings put back in the business sould be included in value of investment
19	17615		Even if e ce sive e rui as had been ploughed back into value of the property these earnings should not be excluded in determining value of the investment
	17631		Howard does not admit that he should take into consideration how the value of the investment was built up under a customs tariff
	17576		of assets is quite legitimate and represents today's replacement value, this being the value on which they are entitled to have a return
	17637		Ne ard does not agree with decline in value since 1920

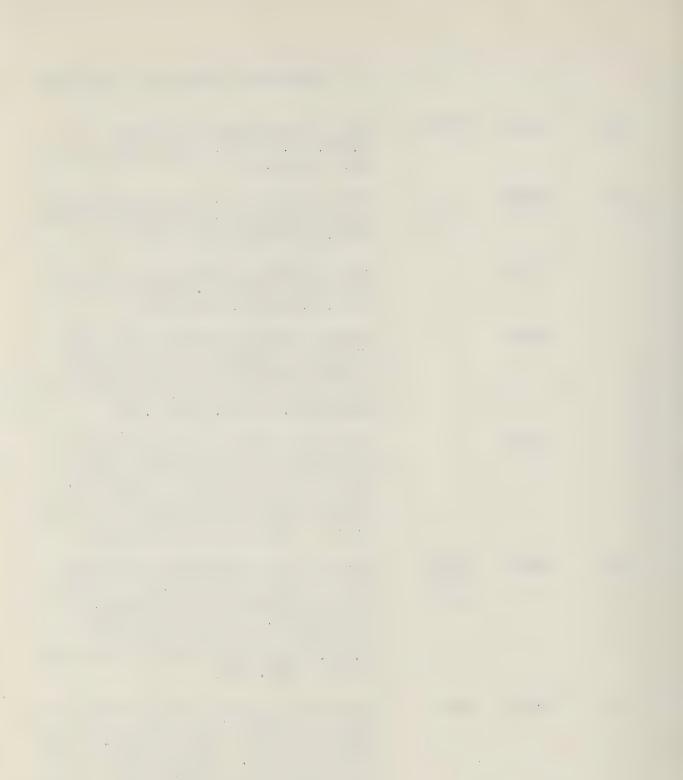


20	17519 18903	Total invested capital at cost 29,887,879.75 1.e. after depreciation (Ex. 1232, p.3)
CV:	17640	Hemri does not think Lais return would be raised much by reason of 1933 adjust- ments, about one third of 1%
	17 644	of assets has been 5.24% and in last 10 years, 4.91% (Ex. 1356 p.3)
	17645	on value of investment as recresented by beak indebtedness, bonds, preparred and common stock, was 5.22% and in last 10 years 4.81% (Ex. 1357 p. 5)
	17 646	herers are returned investment taken on investment and cost and on value of investment has been most reasonable, and that these earnings indicate that existing tariff protection is not sufficient to ensure a reasonable return
22	17650 18825 18903 14294	Heward shuits that Commany received very much more than 0000,000 is each for its original issue of \$5,000,000 common stock. It received tangible assets of a replacement value of \$2,094,000 and intangibles of considerable value (Ex. 917)
23	17652 18906	Howard says it is not true that the Com- pany had written off the value of the tan- gible assets and that the write-off re- ferred to by Mr. Howson was the reduct- ion applicable to goodwill account and not a reduction in value of the Company's assets. The reduction was in the intan- gibles.
	17633 18942	tions and reserves for depreciation or obsolescent plant sid not reach this figure until 1914 and that these charges were not excessive
	17653 &	Write-offs for ballins and madinery

botteen 190 and 1914 was approximately

2.45% per an un which Beward says is a

very low figure



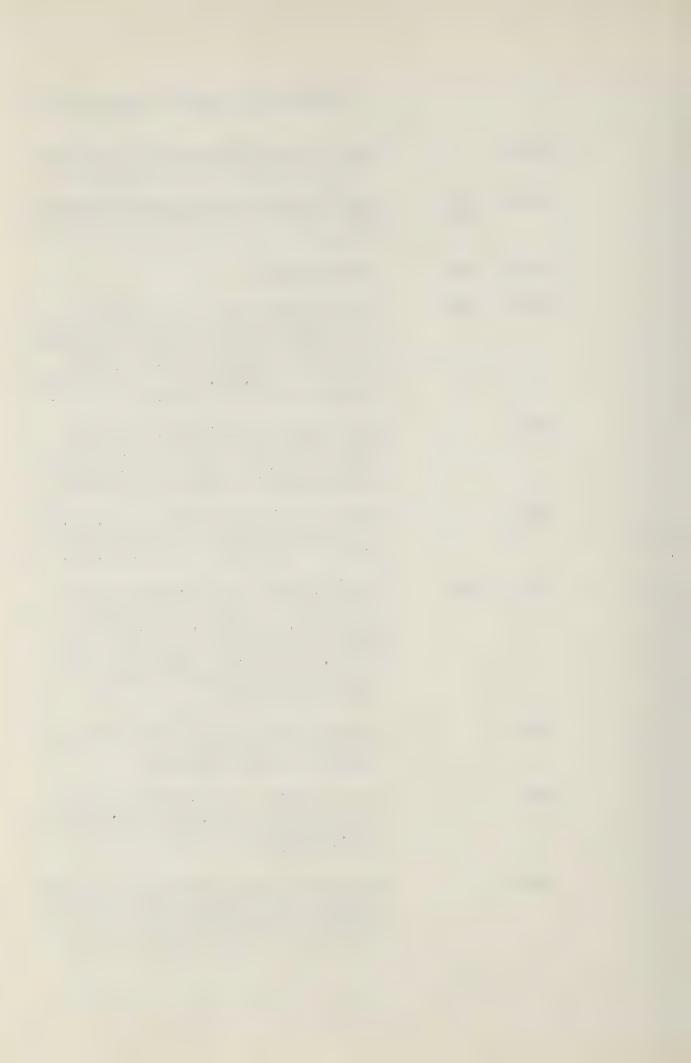
	17657	Any write-off for closing of mills would be included in \$2,200,000
23	17660 189	3 Heward soys substantial part of the write-offs in lold and 1913 included in \$2,200,000 consisted in writing off emounts applicable to goodwill
	17664	Heward says that if they bought a plant in 1905 for \$10,000,000 and the value of a new plant of a similar kind in 1936 was \$5,000,000. they could not ask for a return on the original value of the plant
	17675	Rieward ways value of investment is the value of net assets of the Company lying behind the investment bends, preferred and com mon stock but not bank lonns
		2, CP1 ALL 10
£6	17676 19	Haward says Cormission Counsel admitted that value of physical assets is at least as high as shown on Company's books and that insurance appraisal of 1936 shows it to be higher but that there has been excessive depreciation and improper charges of bettements to operations
	17679	Haward says it is not justifiable to take an insurance appraisal as the real value of the Company's assets
	17679	Insurance appreciaal is intended to show insurable or burnable value of the property and is based on replacement costs less depreciation
	17684	In booklet called 'Insurance Valuations by the Factory Mutuals' it is stated "lesses must be paid on the basis of actual cash value at time of less"
	17685	Haward says 1936 appraisal is not as exact as the 1930 appraisal
	17686	Appraisel was made for the purpose of getting maximum insurable value
	17687 18	Purpose of approisal was to give the

were the same as in 1920 and that values of a year ago were substantially above

	17687	18926	Company as exact a valuation as possible of the Company's assets at that time (1920). Cross values now were put at 30,000,000 and depreciated replace at values at \$22,900,000
	17667		Procent book values are in excess of 1920 appraisal
	17688		Fresent depreciated book value is \$18,178,276.11 (Ex. 1232 p. 4)
	17668 17698	18906	Heward says there is nothing to show that the surplus value shown by such an appraisal as compared with net book value on a cost basis are the results of over-depreciation or charges of betterments to respire
26	17689 17692 17693 17694		Heward submits that Glassoo in his evidence stated he considered charges of betterments to repairs as being equivalent to depreciation (Ev. p. 13765 and 13789)
5347	17696 17690 17701		Mr. McRuer challenges statement that market value of lands, buildings and machinery has greatly increased since 1906 (Ex. p. 13761)
27	17699	18919	Heward submits that computations on page 7 of Ex. 917 does not establish that this extra value (\$17,265,728,17) when compared with depreciated cost, was due to excessive depreciation or to improper charges of betterments to operations (Ev. p. 12859A)
	17700		Howard contends that there is an increa- sed value between 1905 and 1936 and there- fore no secret reserve of \$17,265,728.17
	17711		Heward says natural values of the machi- nory in 1920 according to their books are still there and are not hiding pro- fits by reason of depreciation
	17718	16930	Heward days appreisal values in 1936

their costs

17712		Heward submits this proves his contention that Company has not over-depreciated
17727	189:0 18927	He and disa ross with aspreisel figures which appear on page 177 of Mr. McRuer's brief,
17726	14981	1920 appraisal
17735	10926	Heward submits that cost of building and machinery assets up to 1920 amounted to \$15.517.440 and appraised replacement value new as sown by 1920 appraisal amounted to \$30.352.457 so that increase in values was just under 100%
17745		Heward says Company's cost values to 1930 can reasonably be taken on a pre- wer basis because suring the war it was very difficult to obtain new machinery
17748		Heward mys value in 1934 of \$37,241,856 is still greater than the costs of the assets of the Company by \$21,724,416.
17748	18984	Howard submits that appraisal of 1920 only increased pre-war values by slightly under 190%, therefore, if in 1934 the values were greater than pre-war values by 137,5% the values shown by the 1920 appraisal and even greater values were still there in 1934
17749		Dominion Textile Co. did not write into its books the full increase in value as shown by the 1920 a praisal
17750		Heward submits that information obtained from Tentile Work, Lover and Sirrine & Co. indicates that there has been no ever-depreciation
17750		book value and 1936 insurance apprecised might be accounted for by the extra values quoted by these three informats



Heward submits that only ground on which it can be established that \$17,256,728.17 is secret profits is by considering the replacement value nes, in 1936, of all the Company's fixed assets as being exactly equal to the original cost; in which case, the Company should have provided depreciation from 1905 to 1936 only in the amount necessary to reduce the cost of 128,049,648.57 to the decreelet d value as ser 1935 amoraisal, namely \$23,165.575; a total of \$5,665,648.57 in 31 years or an average of \$215,032 per annum

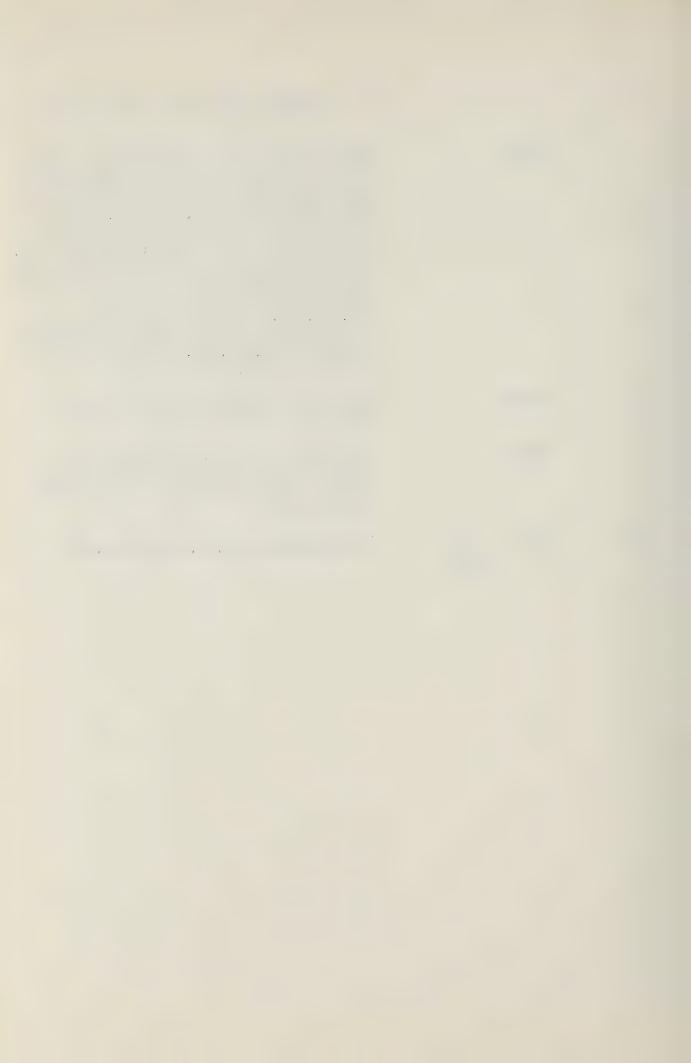
17775

Machinery represents about 75% of the value of the fixed assets

17775

Heward says that values in plant are not the result of hidden profits but of natural increase in values of madinary and buildings

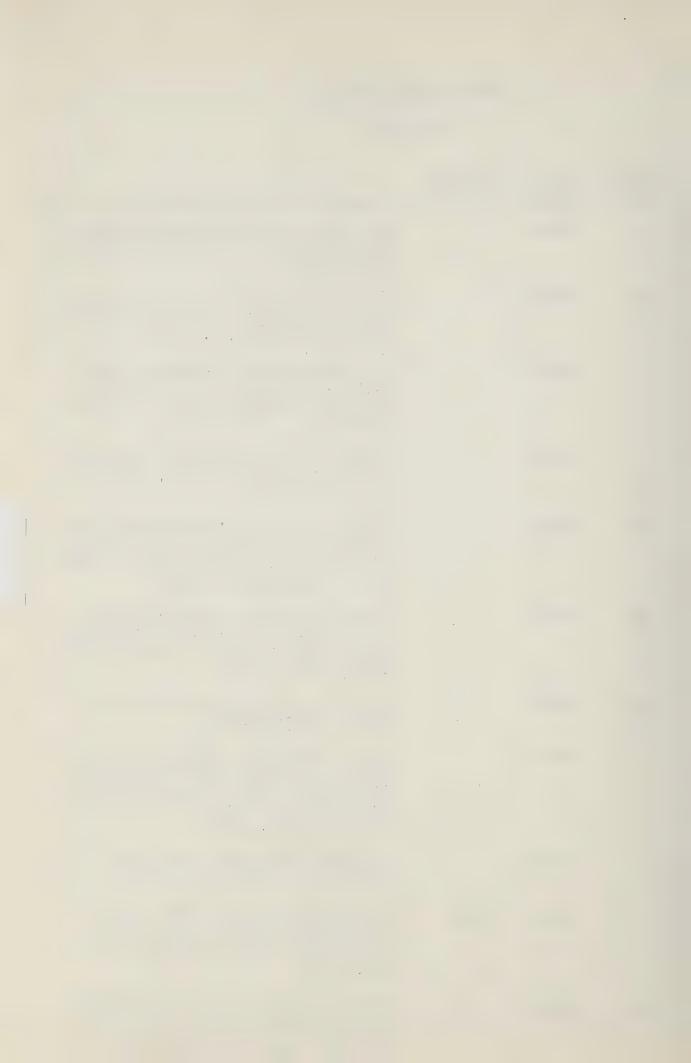
10 17525 18904 18934 1920 Appreisal (av. p. 7454) (Ex.1238 p.4)



FINANCIAL and OPERATING

refreshedge (provider or a provider or

PACE IN	HEMARO'S ARGULINT	MORUTAL	
4	17436		Catio of earnings to invest despited (a) History of Company's capital structure (Ex. 512)
10	17512		Statement Trenares by Classes showing invested capital and earnings thereon from 1905 to 1936 (Ex. 1232)
	19515		Combined assets of old companies acquired a greater value to Syndicate than what Syndicate had paid for them separately
	17516		Assets of all commiss were marchased at their actual cash value, not on their book value
12	17544		Gordon says Doe may's impostments have appreciated by about half the amount of the million dollars which was trans-ferred from Surplus Account
12	17551		Aremats invested by beatholders are not included in capital investment but only enounts invested by preferred and common stockholders
12	17553		Isterest on bon's should be included in capital investment
	17553		Proper scientific method is to take whole of permanent investment whether invested by a bondholder, preferred or common stockholder and tr at that as the i vestment (Ex. 1866)
	17556		included in permanent investment
	17557	18784	firance business at inventory peak, and are not part of invested capital (Ex. 1357)
13	17564		Value of assets behis: the investment must be considered; 1.o. real present day value lying behind securities in hands of investors



17617 Earnings in excess of a reasonable return left in the business are

capital invested by the consumer

17621 Heward says a fair and reasonable return to industry must be an filicient to permit

part of that return being loft in the

bus Liess

17651 If an industry under protection granted earns more than a fair return, addition-

al capital would be attracted and compe-

tition there by intensified

17632 Virtually no investment in new plants in Canada in past 10 years, which indi-

cates that the earnings during these

capital

17804

25 17667 In calculating the amount of capital invested, it is necessary to include

all carnings or profits which have been left in the business by shareholders

instead of being distributed

17668 Fir. McRuer says he is only prepared to admit that the reasonable profit left in the business ought to be considered

es capital on which the investor is eatitled to a return in the study of the

Loss of \$614,685.36 on investments

sufficiency of the tariff

shown in 1933 is justifiable because investments held by Company are part of its liquid assets and if liquid assets

have been impaired it is proper to transfer funds from Surplus Account to cover it Apart from this loss, there was a shorta-

ge of \$10,471.22 for common shareholders

17822 Howard says Howsen dis not include Sherbrooke and Drummondville plants

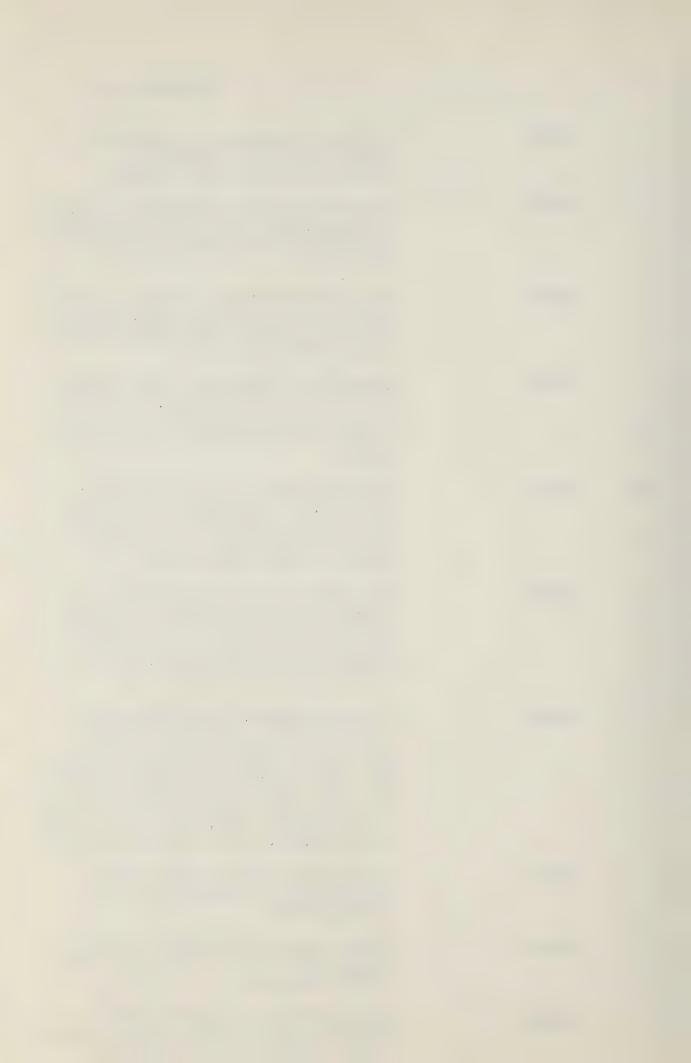
in \$26,000,000

17825 Heward objects to the deduction of \$12,000,000 as it is part of the value

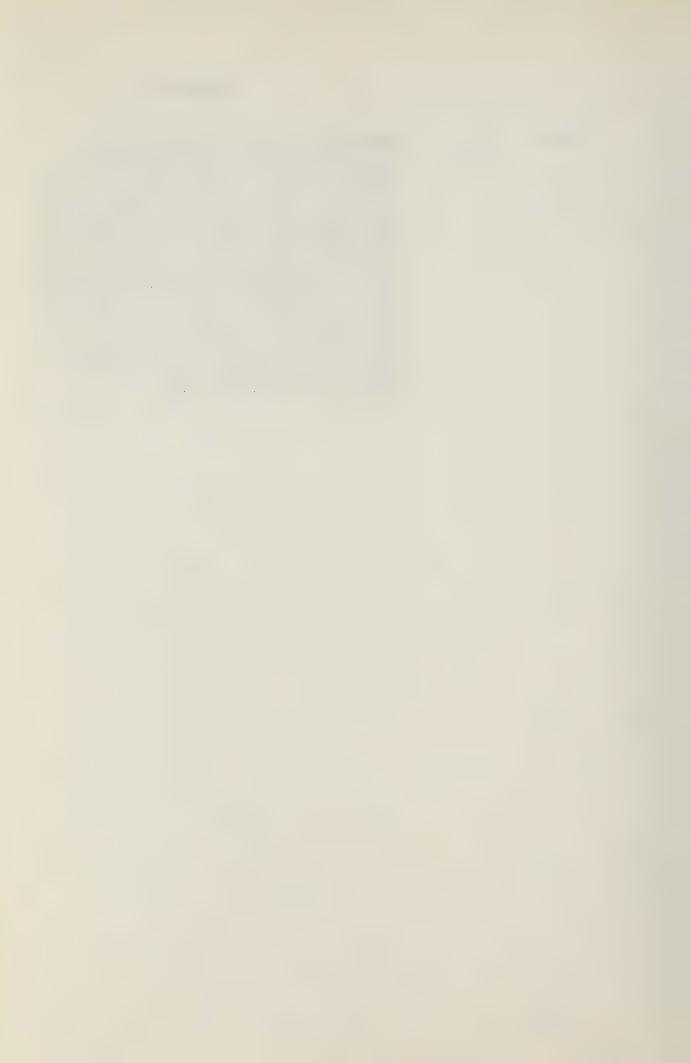
of the investment

17826 \$1,000,000 which was taken out of surplus account to cover loss on invest-

ment is included in this \$2,000,000



Heward says McRuer's calculation at pages 180 and 182 of his brief showing position Dominion Textile would have been in hed it wid its bond interest, preferred and common stock dividends of 20% per annum on original \$500,000 should be ignored; first, because it is fallacious that all the Common stock was \$500,000; secondly because it includes smong the earnings of the Company the so-called secret inventory reserve; and thirdly it is based on supposition that there was over-depreciation and betterments charged to profits amounting to \$16,011,356.89



FINANCIAL and OFFICELG

RESERVES

PAGE IN	HEWARD'S	MCRUER'S REBUTTAL	
11	17503		Parnings or profits shown in Ax. 1232 do not include secret reserves, but figures have been adjusted for fluctuations in the reserves
11	1753)		Heward toes not admit that so-called Inventory reserve is an Inventory Roserve, but it does take in fluctuations in raw cotton reserves shown on the books investment reserve, bad debt reserve, contiment reserve, pension fund and general reserve
	17536		General Reserve includes an adjustment of 3116,552.43 on a war contract, belonce of this general reserve being made up of two or three small reserves
	17538		Special Reserve existed from 1927 - 1930. Also reserve for depreciation on investments this existed from 1930 onwards; Reserve for exchange on sales; Halifax fire loss reserve; Reserve for selling expense and reserve for interest
	17 538		Explanation by Ar. Glasses as to manner in which Raw Cotton Rese ve was adjusted
	17540 17662 17804 17826	18905	One million deliars was transferred from Surplus Account to Investment reserve to make up lose that had been as an investments
	175 4 0 17804	18905	Corpany's profits in 1933 \$725,589 instead of loss of \$614,683.36 as shown on page 2 of Ex. 1232. Loss being due to transfer of \$1,000,000 to Investment Reserve
	17700		Neward contents that there is an increased value between 1905 and 1936 and therefore no secret reserve of \$17,265,728.17
	17775		He are sys that values in plant are not the result of hidden profits, but of natu- ral increase in values of machinery and buildings.



17807 Hemard says the term "inventory" reserve" used by Commission Counsel is a misnomer 17808 Company values its inventory at market value or cost, which ever is lower 17810 Heward says their inventory values are in some cases below cost or market value 17813 Balanca sheet has an inventory reserve not disclosed of \$1,000,000. Heward says this cannot be called inventory reserve and that it is justifiable valuation of the inventory 17813 Howard says this does ot make any difference in the profits over a term of years 17815 Heward submits that if the amounts desoribed as inventory reserves by Com ission Auditor were to be included it would have not material effect on the percentage of earnings as shown in Ex. 1232, because if they are included in the Company's profit the additional equity represented by the balance of the reserve at the end of each year must be added to the invested capital. Such adjustments would amount to considerably less than one-half of 1% in the figures at own by Glassco 17825 Between 1930 and 1934 the Company's surplus account as reduced by over two mil ion dollars 17826 \$1,000,000 which was taken out of surplus account to cover loss on lavestments is included in this \$8,000,000 17829

17834

18117

Here rd says that attempts to show that the Company had any hidden earnings as a result of over-depreciation and charges to governments have failed and that profits shown are the real profits, and, therefore, the earnings in relation to Company's invested capital have been remarkably low and in adsquately in view of the risks involved

On account of diminishment of pool in 1931 1932 and 1933 it was necessary to draw upon



18117

surplus of the Company, aside from the \$1,000,000 which was taken to cover investments

17670

Mr. McRuer says there was \$14,000,000 or \$15,000,000 of a secret reserve of profit

17774

Heward says page 8 of Exhibit 917 is where Mr. McHuer gets at the figure which he alleges is secret profits resulting from decreciation



LEWR COURTER

PAGE IN	HEMARD'S ARCUIENT	MCRUER'S REDUTIAL	SUBJECT
1	17988		Howard says amalgametions and mergers do not necessarily mean that there are now less poople on loyed because plants have been enlarged and extended. History of Company shows there has been a general trend of increase in number of its en loyees
	17893		Reyon Division resumed operations on a part time basis. Prior to chaing it had been operating on 48-hour week
	17944 17948		Obligation of a tariff protected industry to keep employees working
	17948 17949		No compensation was given to employees for losses t ey suffered in 11-day shut-down
	17948		If Company could not manufacture goods at a profit, employees would have lost their employment anyway
	17962		United States manufacturers are in a position to set their own staniards of wages and hours but Canadian manufacturers are not
	17995		In Budget Speech of February 25, 1937, Minister of Finance, in discussing unemployment sind: "The real solution must come and is coming thrugh the expansion of private enterprise based on conditions fabourable to the more extensive development of our rimery and other industries
	18038		Number of hours worked in 1931, 1932 and 1933 in relation to 1927
	18048 18056 - 7		Ballantyne discusses what is likely to be the probable future of the textile worker
	18046		Hent



Labour Conditions - 2

	18046 18054 18116	Trend since 1912 is towards a shorter working week and higher wages
	180 55	Number of employees increased from 4750 in 1912 to 5900 in 1936
	18056	Ballantyne says that as a result of the policies employed by the Company the employee has shared equally with the employer in the benefits
	18056	Despite a shorter working week the worker of today is earning 65% more per week and has 32% more purchasing power than in 1920 and this increase has taken place without it being necessary to increase dost of production of goods produced
	18057	Prospects for textile workers are higher wages and chorter hours
	18057	Ballantyne says Company has provided at its own cost pension scheme, group life insurance, accident & sickness insurance, etc.
	18057	Ballantyne thinks voluntary development of better working conditions and services rendered to the employee is bound to increase in future
33	18059	Company was able to provide continuous employment during the depression
33	18059	Average real wage per employee hour rose in proportion as the productivity of the worker increased labour thereby sharing in the increased production of wealth
34	18062	Ballantyne deals with labour conditions work loads and wages of Dominion Textile Co.
36	18065	Number of mill workers employed between 1930 and 1935
36	18065	Number of employees on payroll and number of employees required if each worked upon
		a full time basis from 1912 to 1936

35-7	18066	Fopulation of mill towns outside of Montreal
41	16063	Establishment of basic wage and stan- dard wook adopted from English practice
42	18385	In all cases rates of wages are based upon a 55-hour week
48	19133	Labour policies
40	18194	Number of female workers in textile industry in Quebec, 1956
49	18105	Wage classifications of female workers at Sherbrooke based on standard week of 55 hours
50	18108	Work load and labour conditions
50	18108	Loper mys work required of Canadian textile operatives is somewhat less than would be considered good practice in the United States (Ev. p. 1794)
50	18109	Loper found general working conditions at Sherbrooks better than the average and considers then good (Ev. p. 1795)
30	18108	Fesesaden's analysis of female weavers and spinners at Merchants Branch of Deminio Textile Co. (Ex. 1209)
51	18110	Since 1931 amount of work required of a weaver has decreased due to improve- ment in amchinery (Ex. 1209 p. 25)
51	18111	Feasenden mays little with regard to working committees except that which is found at page 21 of his report (Ex.1209)
51	18112	Air-conditioning equipment has been installed by the Company at Merchants Branch, Montmorency and Valleyfield
	18113	Air-conditioning equipment is described by Cordon
52	18114	Pensions and Group Life Insurance (Ex. 35)

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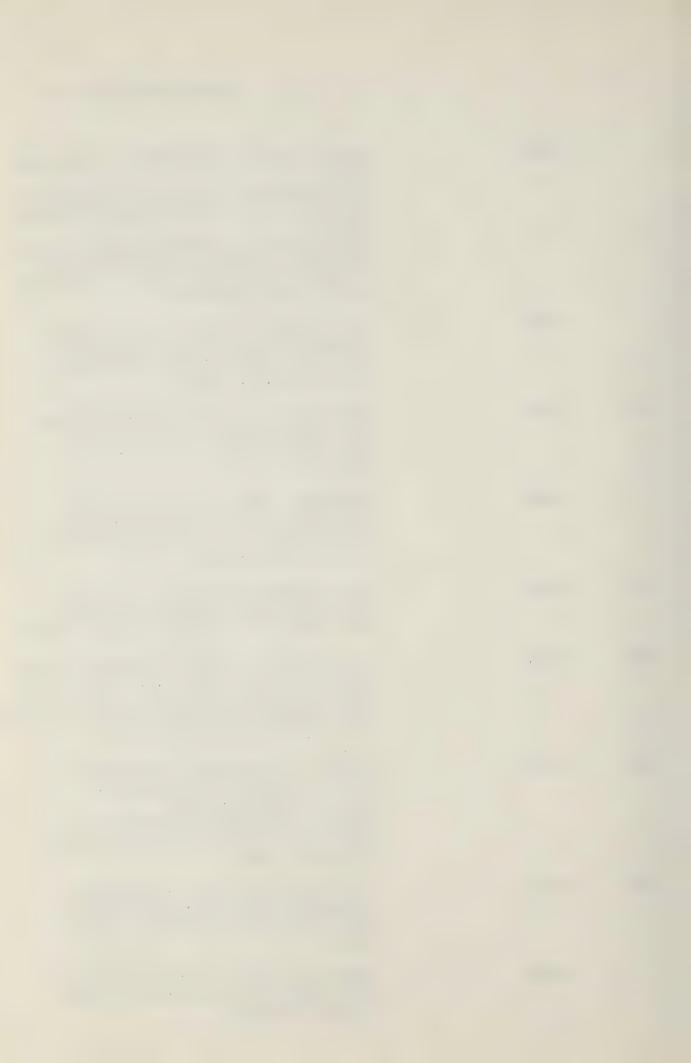
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Labour Conditions - 4

	18115		Cordon says about \$10,000, a year, out of \$73,000 is being paid in pensions out to retired salaries staff, the ba-
	18181		In spite of wage decrease in 1935, the workers actually serned practically as much that year as they had carned during the previous year, but they had to work longer hours to do it
	18122		Increased hours of labour was possible because the Company was able to sail its goods at a lower price - Had it not been possible to reduce prices there might not he have been as much work available for the workers at the cld rates
60	18138		Ballantyne submits that evidence given in Ottawn by five employees of Cotton Division at Shorbrooks and six employees from Bochclage Mill faisl to substantiate complaints made by Albert Cote, Fresident of the Federation Cat olique Nationale du Textile (Nv. p. 11588 and 15456)
	18141		Adoption of 40-hour week by Collins &
55	18184	14390	Evidence of Mill Employees
55	18134	(8.B.)	Amber of employees of Company who appeared as with esses
555	18125		Employees who were acamined away from the town in which they worked either had no complaints to make or complaints which did not bear up under corse-examination (Evid. p. 1665 to 1696)
33	18125		Evidence of Rose Provencher was not correct (Ev. p. 4509)
56	18126		Two witnesses (Lamontagne and Riel) stated that with an increased number of new machines the work was easier than it had been with fewer machines and was not too hard (Ev. p. 1868 to 1672)



	15127	General nature of compaints at Sherbrooke was - (1) That number of machines had been in- creased without a corresponding increase in pay (2) That the job assignment was too heavy (3) That is some cases operatives were obliged to work before soven in the mor- ning and to do overtime.
	19127	The change in whchinery at Sherbrooks communed after Dominion Textile took over plant from Canadian Connecticut Cottons (Ev. p. 4623)
56	19126	Work lost are not excessive-Dallantyne thinks if too such were asked of an operative, it would be found out and corrected
	18129	Ballantyne does not think workers at Shorbrooks were overloaded although workers had not time for supper and had to eat while working
57	18189	Superintendent of Cotton Department at Sherbrooks says there is no overtime work less it is necessary (Ev. p. 2-4626)
57	18150	Overtime work generally commences et 6.30 and continues until 10 p.m Superinten-dent recalls only twice in aine years when women amployees were required to do overtime work, both being about 1950.
57	18131	Workers at Mentacrency complained: (1) As to sanitary arrangements. (2) As to drinking water (3) As to ignorance of basis of pay. (4) As to lack of provision for cloaks and diming rooms
56	18131	Five witnesses stated that sanitary errangements were bad; four witnesses said they were good (Nvi. p. 4683 & 4687)
	18132	Rellantyne eays complaints have to be met regardless of the number of work- ors who make them



58	18132	Complaints as to drinking water
	18136	Although dining room and cafeteria are operated at a very low charge, the largest number using it has only been 50. Employees apparently do not want to use it
	18157	No special rooms have been set aside as clock rooms, and clothes are hung upon pags on the wall (Sv. 9. 2573)

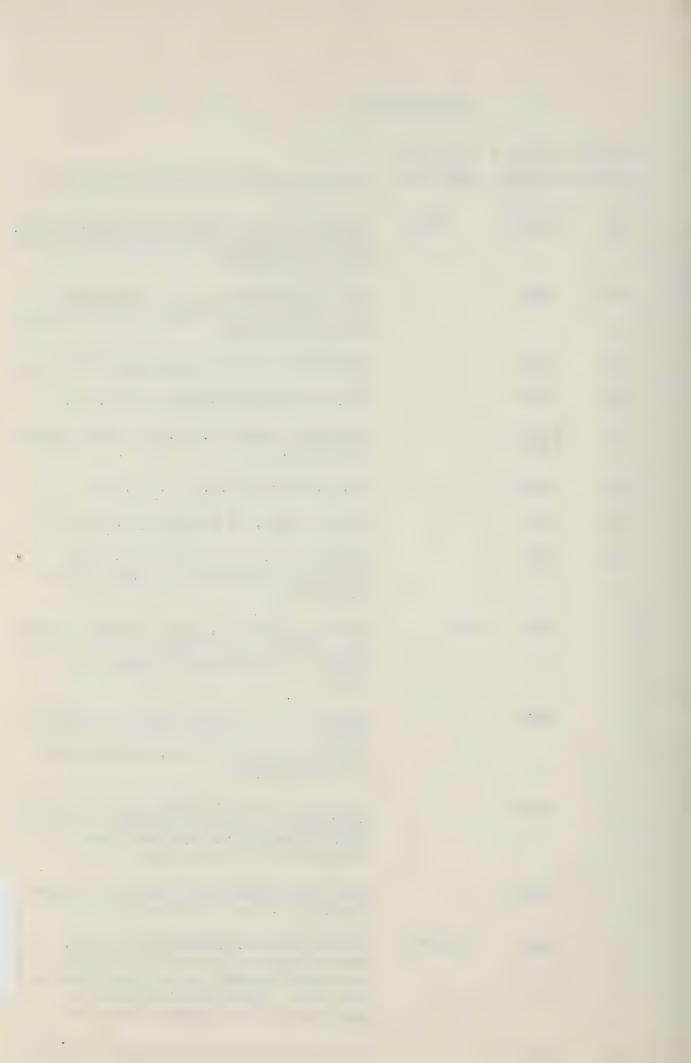


MACHINERY

PAGE IN BRIEF	HEWARD'S ARGUMENT	MCRUER'S REBUTTAL	SUBJECT
	5 m m 5 A		
	17710		Cost of machinery 10% higher in 1935 than in 1922
	17711		Heward says natural values of the machinery in 1920 according to their books are still there and are not hiding profits by reason of depreciation
	17746	18922	Variation shown by these three sources in replacement values of machinery
	17788		Verdun plant purchased from Government and new machinery put in in 1920
	17925		Heward does not think Gordon discussed with the Government the fact that Magog mill could not keep up with finishing Sherbrooke goods, etc.
	17965 17970		Mechanization in United States and Canada about equal
	18082		Automatic machinery was installed from 1920 to 1923
51	18110		Since 1921 amount of work required of a weaver has decreased due to improve- ment in machinery (Ex. 1209 p. 25)
52	18112		Air-conditioning equipment has been installed by Company at Merchants Branch, Montmorency and Valleyfield
	18113		Air-conditioning equipment is described by Gordon
	18127		The change in machinery at Sherbrooke commenced after Dominion Textile took over plant from Canadian Connecticut Cottons (Ev. p. 4623)
			and the same of



P.GE IN	Bajo'		SUBJECT
13	17566	14296	Bluefield Wate: Works and Improvement Co. vs Public Service Commission of the State of West Virginia
14	17574		State of Missouri ex rel Southwestern Bell Telephone vs Public Service Commis- sion of Missouri
15	17575		McCarile et al vs Indianapolis Water Co.
16	17578		Sity of Toronto and Toronto Ry. Co.
16	17579 17585		Canada Southern Ry. Co. and International Bridge Co.
17	17585		Er. p. Moneton T.E. & G. Co. Ltd
17	17586		Wester Tolls, 19 Canadian Ry. Cases
18	17596		Heward submits ad itional factories chould be established to give greater and legislate
	17599	18901	Heward says that to keep existing companies healthy and efficient there must be threat of new companies entering the field
	19500		Founders of Dominion Textile Co. thought field was over-occupied when they took over four old com anies, but production was not reduced
	17 603		One of the services removed by tertile industry in return for tariff protection is the giving of employment under fit conditions and proper unges
	17604		List of 507 companies from whom Dominion Textile Co. buys supplies
	17605	14298	Herard says distinction made by Mr. McRuer between a public utility and a protected industry is not sound because both have priveleges given them in consideration of services rendered
:20	17637		Howard assumes that encouraging of new ventures in industry is desirable



	17661		Inception of undertaking was 1874
27	17697		Between 1915 and 1920 average cost of building and equipping a cotton mill increased from \$27.28 to \$73.02 per spinale
	17701		Cost of erecting and quipping a cotton mill as set out in letter from "Textile World" to Whiteley, Dec. 2, 1956
	17708		Cost of equipping a cotton mill as set out in letter from Ralph E. Loper Co. to G. B. Gordon, January 28, 1937
	17708		Table showing estimated cost per spindle of equipping a cotton mill
	17720 17722		Cost of erecting and equipping a cotton mill as submitted by J.E. Sirrine & Co.
	17745	16925	Howard says Company's cost values to 1290 can reasonably be taken on a pre- war basis because during the war it was ver difficult to obtain now machinery
	17745	10933	Estimates of cost submitted by Textile World, Loper and Sirrine & Co. show in 1920 a much larger increase over pre-war costs than was shown by appraisal of 1920
	17746	18923	Variation shown by these three sources in replacement values of machinery
	17750		Heward submits that information obtained from Textile Work, Loper and Sirrine & Co. indicate a that there has been no over-depreciation
	17750		Difference of \$4,000,000 between present book value and 1936 insurance appraisal might be accounted for by the extra values quoted by these three informants
	17763		During war there was no increase in size of mills
	17847		No evidence that prices went either up or down after the marger



17 948	Caset prepared by Mr. Mordon decoving what happened to prices in relation to the prices of raw cotton, 1904 to 1907
68 17918	Heward says it is important to bear in mind that between Sherbrooks and Magog there was a considerable time lag and goods being manufactured in the greige at Sherbrooks might not reach the manket for five or six months
17955	Hereri does not think Gordon discussed with the Government the fact that Magog mill could not keep up with finishing Sherbrooke goods, etc.
17944 17948	Obligation of a tariff protected industry to keep employees working
17946 17948	Heward does not consider that any tariff protected industry can be expected to keep on indefinitely manufacturing goods which they think cannot be sold
17949 17950	Howard says it is loss expensive for a manufacturer to keep operating than to close down if goods can eventually be sold. If there is possibility of not being able to sell goods at a reasonable price theremedy would be descation of operations a d not curtailment
17960	Standard of living in United States higher wages and sorther hours now being advocated and put into effect in The United States.
17961	114,000,000 yards of cotton goods im- ported into the United States in 1936 while imports into Canada were 97,000,000 yards
17962	77,000,000 square yers of cotton goods imported into United States in 1936 came from Japan. In 1935 Japan supplied

United States manufacturers are in a position to set their own standards of wages and hours but Canadian manufacturers are not

36,000,000 square yards of total imports

of 63,800,000 square yams



17965	Exports of cout on goods from United States in 1935 ascunted to 186,000,000 square yards
17964 17965 17966	United States in spite of higher wages and standard of living is able to occupy first place among exporting nations
18022	high efficiency on account of volume of production
17965	Textile exports from United States are very meall in comparis on with sales in their own market
17966	United States imports are just over 1% of its consumption, but in Canada, 25%
17967	Charts showing duties on imports into the United States of gray cotton, colour- ed and bleached cotton cloths (Ex. 1360)
17969	Heward says a very slight increase in the cost of producing cott on goods in Ganada oc casioned by higher wages and shorter hours of labour in advance of technological changes would only result in Canadan mills losing more of the domestic market to exporters
17971	Charts showing relation between volume of production, cost of production and profit per pound of production in Dominion Textile Company over last twenty years (Ex. 1361)
17976	Wages are included in total cost of production but are not shown separately on charts
17978	Line "C" on Chart CG-1 indicates that 1919, 1921 and 1927 were the wore
	profitable years in the Company's history since 1916 while the poorer years were 1924, 1930, 1933 and 1935
17979	Profitable years cannot be judged alto- gether from charts because it only shows manufacturing angle and would not take

cotton

into account a big rise in value of raw



17980	Cordon says really pr fitable years were 1918, 1919, to some extent 1920
17981	1919 was most profitable year between 1916 and 1937 and 1921 came next
17965	Line "E" on chart CG-2 represents the average cost per unit of production to the consumer (customer)
17984	After charging full depreciation in 1934, for the first time since 1930, the manufacturing profit per pound was very moderate, but combined with a high production it resulted in the best indicated posit since 1928
17985	Unit profit is so low that it requires a great deal of volume to make a profit
179: (Advertisement from France's Directory showing materials made by Dominion Textiles for other companes (Ex. 1362)
17992	Amounts expended by Company in 1936 for supplies, freight, express & taxes
17993	In Budget speech of February 25, 1937 Minister of Finance in discussing un- employment said "The real solution must come and is coming through the expansion
	of private enterprise based on coditions favourable to the more extensive develop- ment of our primary and other industries
18001	Retailer expects and receives a higher mark-up on imported goods then on do- mestic goods
16019	If there was no textile industry in Canada the 63,000 people now engaged inthis industry could so longer look to the textile industry for the wages that gives them the urohasing power to buy anything

to take its place

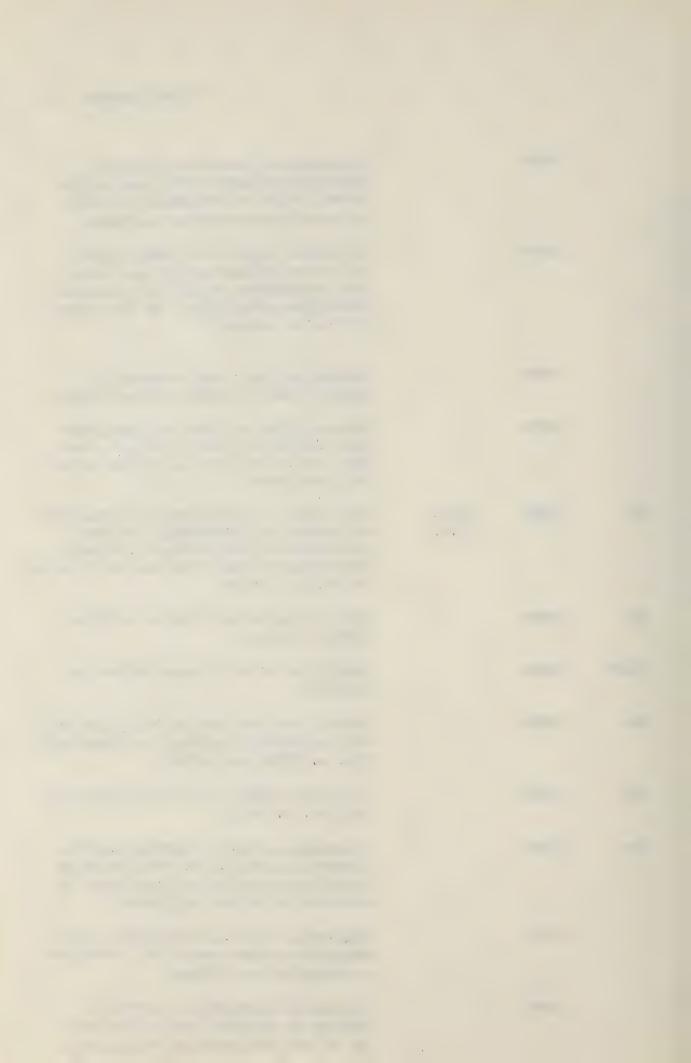
18020

If textile industry is destroyed we must

contemplate the creation of new industries or the expension of existing industries



	18026		Entinction of the cotton textile industry in Canada would have little effect so far as reduction of costs in other industries was concerned
	18029		Ballan type hopes that final report will provide Company and the public with information which will show the importance and utility of the industry to the country
	15035		Henagement costs not included in schedule but is dealt with separately
	18055		Between 1914 and 1920 the management gave the worker better tools to work with and he was able to produce more and earn more
33	1.8059	15059	High level of efficiency was constantly maintained by introducing the most modern methods of machinery, thereby increasing productivity and the carnings of skilled labour
35	18065		List of plants operated by Dominion Textile Company
36-7	18066		Population of mill towns outside of Montreal
36	18070		Company has been and is being prudently and economically managed and developed (Ev. p. 12846 and 12859f)
38	18070		Loper says mills are being efficiently run (Ev. p. 1801)
38	18070		Fessenden quotes an American textile expert's opinion as to Canadian manufacturers producing at lower cost by means of up to date equipment
	18071		Ballantyne says the efficiency of the Company has been pretty well recognized as shown by the evidence
	18076		Continued existence and growth of Company is entirely due to its being one of the best managed companies in Canada.



PROMETION

PAGE IN HEVARD'S MERUTIAL DRIEF ANGLES RESULTAL	SUBJAC T
17600	Founders of Comission Textile Co. thought field was over-occupied when they took over four old companies, but production was not reduced
18058	85% of operations of Company are confi- ned to grey mills Employer has been able to increase the
Aller Staff Staff Staff	employees productivity so that despite increased wages, production has also been increased proportionately
18054	In terms of real wage costs per yound the employer has gained slightly since real mage rates were 51% higher in 1936 than in 1914, compared with a 53% increase in productivity of the worker per hour between the beginning and the end of the same period

The second second

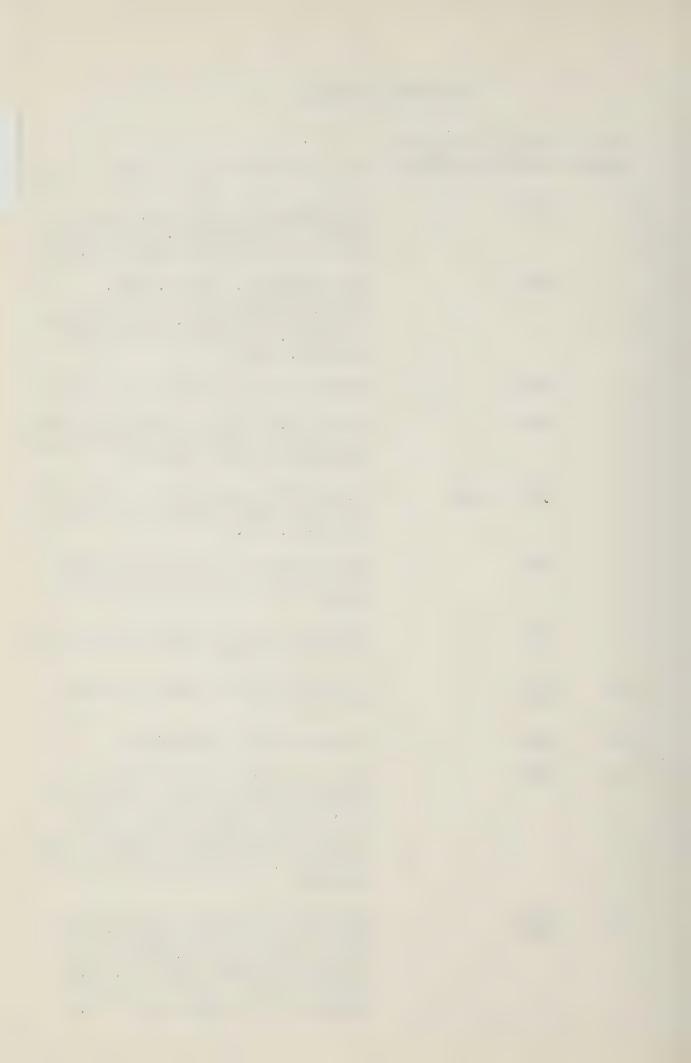
e de la companya de l

CUMBILLERY OF ANDUSTRON

BRIEF	ARCO SANTO	Menush's	SUBJECT
94	17931		Merx was the one who recommended curtain
	17931		Associated Textile mill was closed on December 16, 1935 and reopened on January 18, 1936
74	17932		Mark told Broad Silk Group that curtailment of the mills would be a safeguard for them until they were able to prove to Government the risks of these importations from Japan
	17950		Curtailment was discussed with Daniels, but not decided upon



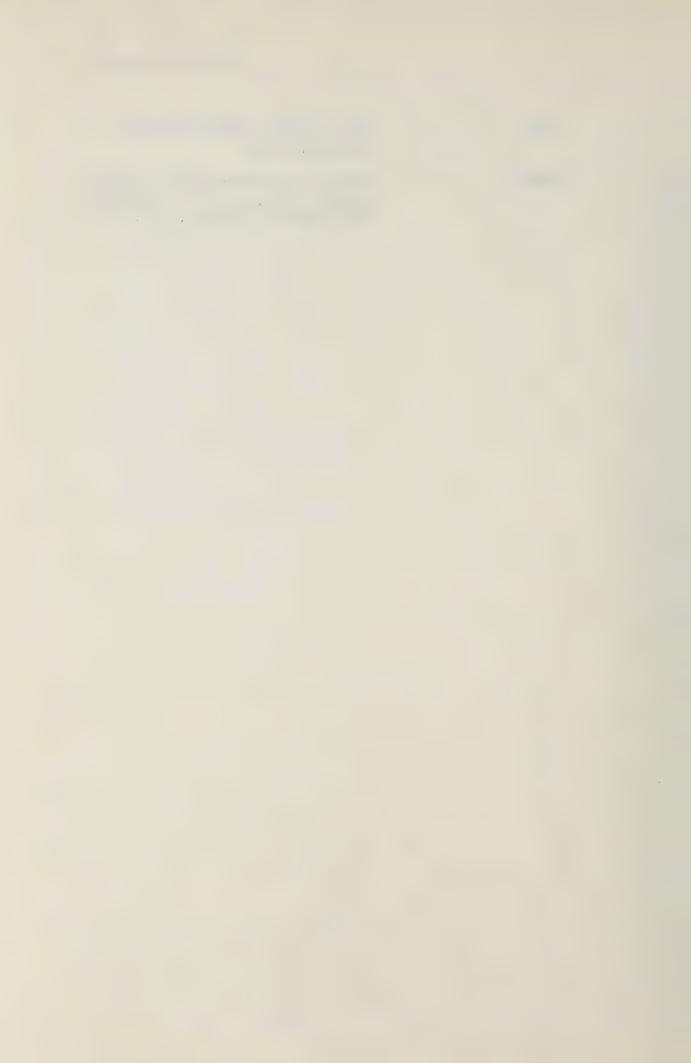
PACE IN	A CONTRACTOR OF THE PROPERTY O	Million and the contraction of t
	17487	Dominion Cottons Mills Co. Ltd. Report to Shareholders, 1898 - Company became its own selling Agent (Nv.5785)
	17495	Annual Meeting, April 7, 1902. Disastrous year tue to purchases of cotton at high prices. New management appointed. Selling given to outside firm (Ev. 5751)
	17673	Capital and sales of Company in 1935
	17635	Company would have to reduce its prices considerably before they would be re-
	17600 14007	Sales dollar represents price at which gods are sold to wholeseler, retailer, custer-up, etc.
	17900	Gordon stated he would re-open mill when he saw his way clear to making sales
	17901	Order at the tion improved when Sherbrooke mill was re-opened
69	17918 17926	Specified and bulk orders in January 1935 and 1936
69	17918	Explanation of "b Ak orders"
69	17919	Orders for future delivery are in a vulnerable position in a falling market, but bulk orders are in a particularly vulnerable position as the customer by withholding specifications can make them almost impossible of fulfillment
48	18 077 16103	Selling end administration costs in first 30 years of the Company's existence amounted to \$10,500,000 during which time Company sold \$460,000,000 worth of goods. Ratio of cost for selling and administration was 2.3%



Dales of We Company in 1936 - \$16,569,296.11

17936

Hemary, 1935, were not up compared with Juneary, 1935 (Er. 485)



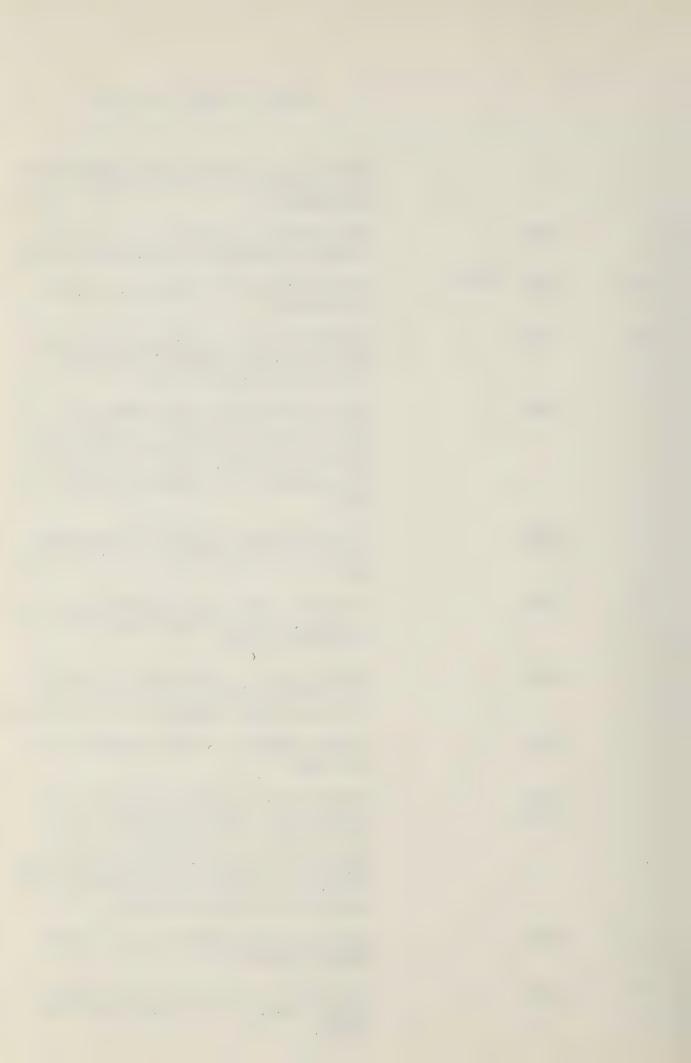
STARBIOLD WILL GLOSUR

PAGE IN	HESARD'S ACCUMENT	Months 'S	
61	17894		Suspension of operations in Rayon Division at Sherbrooks
62	17895		One of ressons why plant was not re-opened before Jan 89th was on account of King's funeral on 23th
	17895		Bayon Division resumed operations on a part time basis. Frior to closing it had been operating on 48-hour week
	17897		Order to m-open plant was given four days before Commission was appointed
66	17899	15700	Decision to suspend operations at Sher- brooks was made solely by G.B. Gordon, the purpose of the suspension being to mark time until the situation in regard to Japanese competition should be clari- fied (Dv. p. 2152, 3186, 2188 and 6489)
	17900		Gordon stated he would re-open mill when he saw his way olear to making sales
	17901		Order situation improved when Sherbrooke mill re-opened
	17902	13986	Gordon demied that mill was closed in order to make a demonstration against the Government
75 77	17932 17933 17944	13965	While Dominion Textile shut-down was an indefinite shut-down it was for the purpose of marking time (Ev. p. 2151)
	17936		Situation improved sufficiently to enable Company to continue operations on a limited scale
78	17935		Letter from G.1. Gordon to Hector MacKin- non dated January 16, 1936 (Ex. 149) re tariff computation worked out by Mr. Gordon
79	17939 17944		Heward says that letter may not have been have been explicit enough about stock ai- tuationer order situation, but he does not

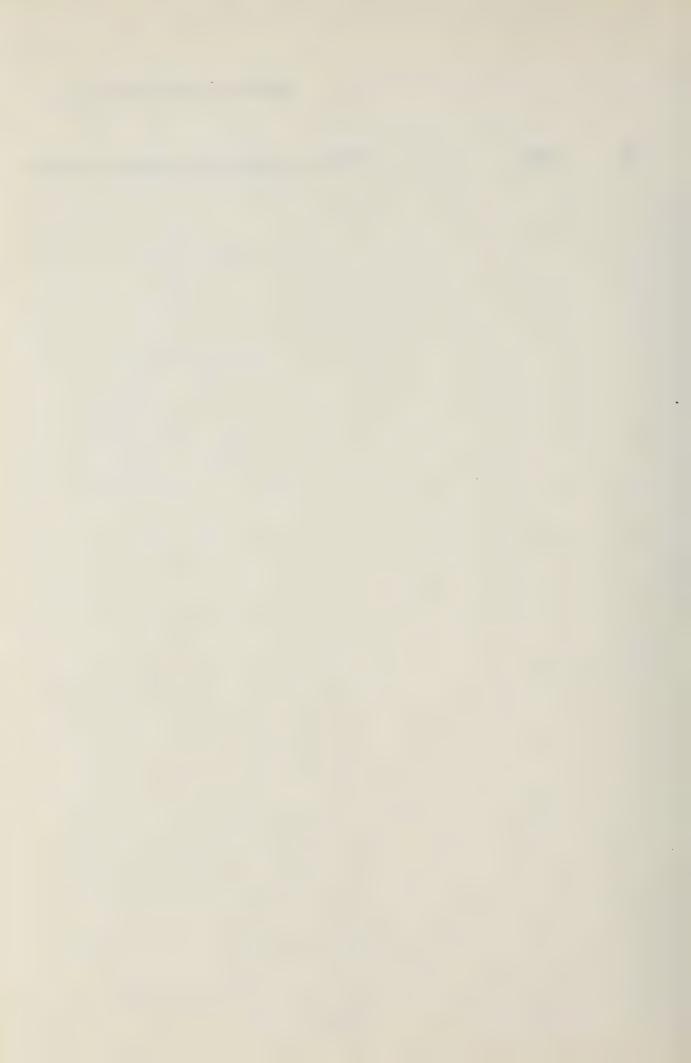


Sherbrooks Hill Closure - 2

			think it was intended as a deconstration to the Government or to intimidate the Government
	17940		This letter to Mackinson was Gordon's attempt to justify his action is closing
79	17940	13987	Gordon's attemp to justify his action is closing
79	17944		Gordon decided on shut-down purely from point of view of Company's manufactu- ring and selling operations
	17946		By not running off looms Gordon put him- self in a position where he could carry on if his fears of Japanese competition proved groundless, but if his fears were not groundless he would have to stop any- way
	17948 17949		No come asstion was given to employees for losses they suffered in li-day shute down
	17943		If Company could not manufacture goods at a profit, employees would have lost their employment anyway
	17949		Company assisted employees by supplying them with fuel from its yards and guaranteeing their accounts with the supplier
	17949		Company received the full benefit of the shut-down
	17949 17 8 50		Heward says it is less expensive for a manufacturer to keep operating than to close down if goods can eventually be sold; If there is possibility of not being able to sell goods at a reasonable price, the remedy would be cessation of operations and not curtailment
	17950		Curtailment was discusses with Daniels but not decided on
79	17950		Operations at Sherbracke were resumed on January 29th, the say after the King's funeral

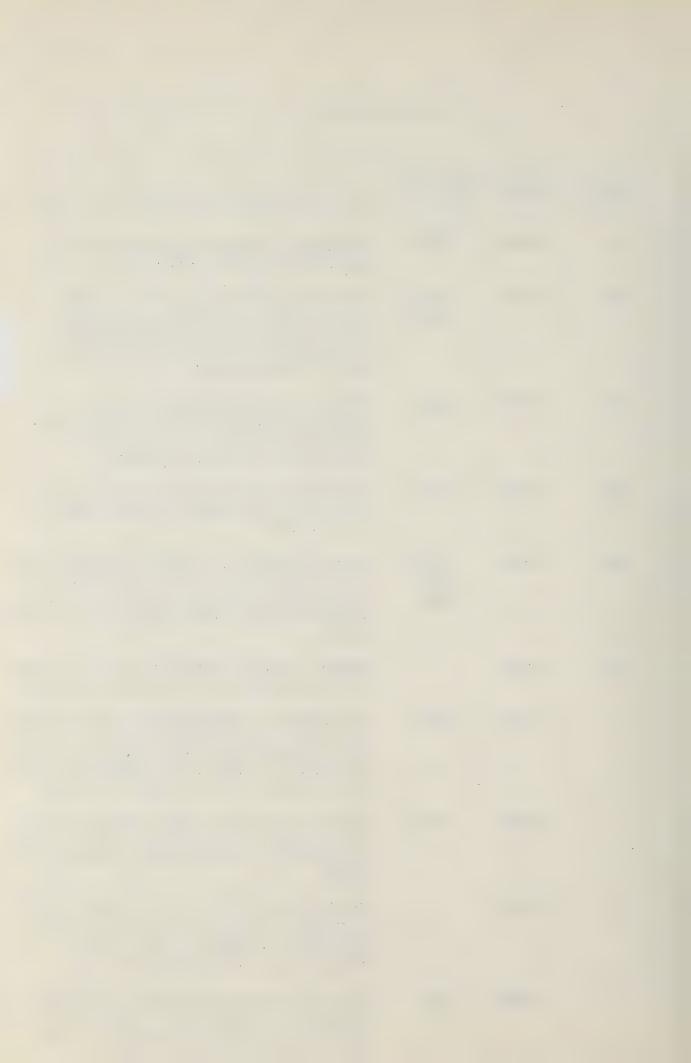


Gordon's reasons for resuning operations



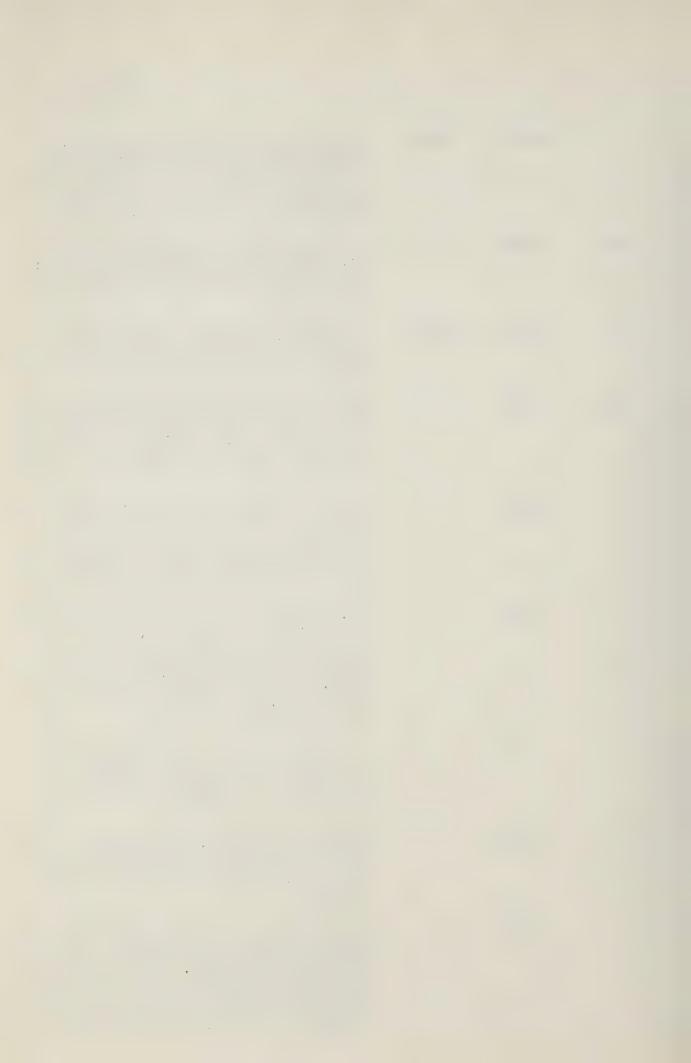
TARIFR

PACE IN	MENIARD'S	McRURA*S	5 77 0 T 5 25
All property of the state of th	the second discountry of the second	THE STATE OF THE STATE OF STAT	sentin dir seculo common me di vicini di aproprio di dicini di common di common di dicini di dic
4	17422	14287	Decring of return on investment upon question of tariff protection
18	195.9	18859	A counte triff is one which mables awarf courses to co.pete on an equal footing and still make a reasonable profit; also encourage the establishment of new industries
1,0	17591	1/4993	Here decepts mes oneibility for saying that tariff should be such that it would encourage new investment in Canada in the textile industry
18	17693	18800	H ward says all dog are acting for is to be able to compete on equal footing with others
18	17594	18900 18847 18853	here I contains that tariff protection is not only intended to ensure the survival of those now engaged in the insustry, but to procure the establishment of new industries
16	17596		be stablished to give greater employment
	1759	18900	Countierable investment has been acquired and unless tariff protection is afforded the investment will be lost. One of the purposes of tariff is to encourage industry to expand and give more employment
	17599	18901	nies healthy and efficient there must be the threat of new companies entering the field
	17599		led tariff industry can be kept healthy by threat of outside competition and by threat of new industries coming in
	17003	18864	one of the services remiored by testile industries in return for tariff protection is the giving of employment under fit conditions and proper wages

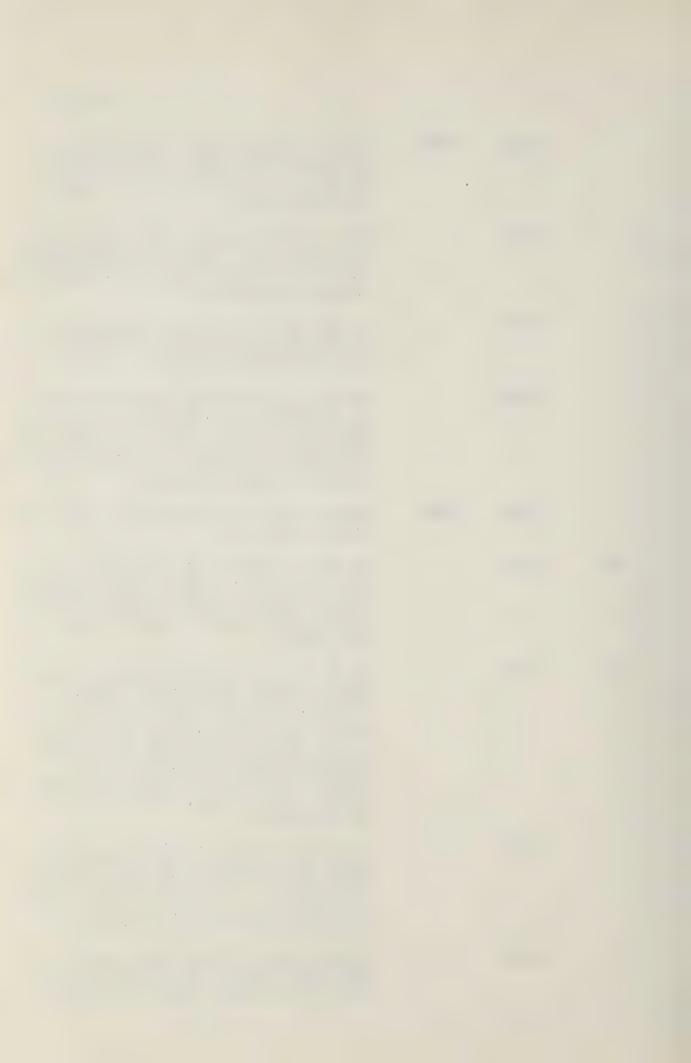


	12605	18862	Heward says distinction made by Mr. Meker between a public utility and a protected industry is not sound because both have privileges given them in consideration of services rendered
18	176%		Harnings should be comensurate with risk entailed incompetitive industry: there should be stability in tariff protection
18	17606	16855	Manufacturing industry should receive a higher return than a public utility on account of greater risks it runs
19	17610		Value of what it would cost for additional plant for proper expansion is an important element, assuming that it is the desired policy of the country to protect the industry
	17624		Heward says that Mr. McRuer's theory that it is improper for injustrialists the have received special privileges from the Government to make large profits at expense of consumers is unsound
	17625		Mr. McRuer says if an industry asks for something from Government, then the Government has something to say about quantum of privileges that they give them. If industry asks no special privileges, it is entitled to any profit it can make
	17627		Cormissioner says if any industry is protected it would be a misuse for its protection if it unduly enhanced the price of its product
	17689		Protected industry, if receiving a smaller return than industry generally would not be so attractive for investment of new capital
	17630		Ar. Mchuer says these earnings are more than a reasonable return under the tariff protection they have. Heward submits his figures are reasonable and that it is the

value lying behind the investment that counts - not how much stock is outstanding



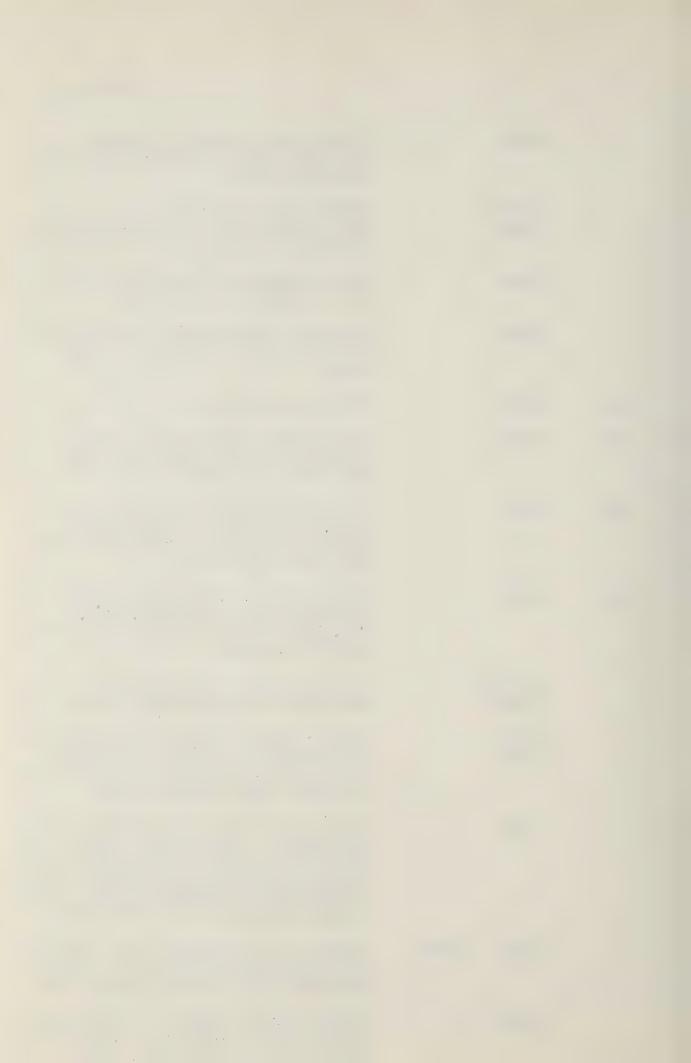
	17651	18904	Heward does not admit that he should take into consideration how the value of the investment was built up under a customs tariff
	17631		If an industry under protection granted earns more than a fair return, additional capital would be attracted and competition thereby intensified
	17635		Howard thinks Government would object if part of earnings was not put back into a protected industry
	17 646		Neward says return on investment taken on investment end cost and on whie of investment has been so at reasonable, and that these carrings indicate that existing tariff protection is not sufficient to ensure a reasonable return
	17647	16862	Heward says he will deal late with what terif should be
57.63 6.263	17649		In view of good management Heward thinks they are justified in looking at returns on investment in relation to question of tariff protection as a guide to it. (Ex. 1232)
24	17656		If it is attempted to use alleged earnings on common stock or on a portion thereof, or alleged profits made by common stockholders, companies engaged in the industry would have to be classified according to various types of capital structure and a separate tariff devised for each one. Howard says this is fallacious
	17875		Meward submits that even if premises on which the computation is based were not fallacious the computation would in no way support Mr. McMuer's contention that protective tariffs should be reduced
	17880		Noward says all their monies come from the consumer; and all taxes form part of the selling price of the goods



	17 - 3	Company paid 9819,541 in taxes to verious Governments all of which come from the companer
	17:51 A	Moward mys if Co pany had not had to pay those tapes it might have been able to reduce salking price
	27093	Noth commers and shareholders suffe- ed on account of the se taxes
	17000	If tex is odded to amles price of goods Company tries to get it out of the
64	17098	Value of Jarana so yen
72	179 4	Howard thinks tain object of Ottace mosting on Fenuery 14th was to dis- ouse tariff situation
74	17030	At mosting with Ministers on Jacuary lath, no definite reassurences or definite hopes of any remody were held out to the delagation
76	17375	Letter from G. W. Gordon to Hector EmcKinnon dated F amony 16, 1936, (Ex. 149) re tariff computation worked out by Mr. Gordon
	17944 &	Obligation of a t riff protected inhunery to keep employees working
	17946 17948	Howard doos not consider that any tariff protected into sary can be expected to keep on indefinitely manufacturing goods which the think cannot be sold
	27.87	Hererd mays wording of Sub-eaction 2 of Section 58 of Customs Turiff Act clearly signifies an intestion that other equa- tries with depreciated currencies and un- known costs of production chould not be- nifit at expense of the United Kingdom
	17956 18095	Howard says Sub-cection S of Section 35 Goes not empower distant authorities to value so s for ore civi (Lee in) auty

Charts showing duties on imports into the

United States of groy outlon, coloured and bloomed cotton clothe (Ex. 1360)



17997	Heward's submission as to why cotton should continue to receive tariff protection
17996	Although many cloths are made to particular specifications, mills could not economically and successfully operate on that type of business alone and must be supplemented by other types of goods which Deminion Textile could not manufacture and sell at the same prices as similar goods could be landed in Canada if there was no protection
17998 18977	Cost of goods to the consumer if there were no duties or only very low daties on imported goods
17999 & 18001	If 50% of business being obtained under protective tariff was lost manufacturing costs and selling prices would be higher than under existing conditions
18001	Retailer expects and seceived a higher mark-up on imported goods than on do- mestic goods
18 X2	For the consumer to benefit from a lower tariff there would have to be a condition where the textile industry no longer exists in Canada
18010 & 18013	Heward says that assuming that no tariff or low tariffs would result in lower prices to the consumer, the industry in Canada could not survive
18014 18976 18860 1868	Heward says prosent protection is not snough and they could not survive on anything less
16016	Revenue country received from sales and excise tax on goods other than raw meterials purchased by Company in fiscal year

Excise tax on finished textiles coming in to replace Canadian goods would only o offset excise tax on present imports of raw materials

ending March 31, 1936, amounted to

1144, 2 4.68

,

If the Canadian company operates at a profit it splits that profit with the Government but the foreign manufacturer could not be called upon to do likewise

18017

If there were no duties, the only offset to the loss of the industry would be a problematical lower level of prices to the consumer

18018

It is doubtful if on the average the tariff today is taking as much as 10¢ of the consumers dollar for cotton goods

18019

If there was no textile injustry in Gamada, the 63,000 people now engaged in this injustry could no longer look to the textile injustr for the look to the them the purchasing power to buy anything

18030

If textile industry is destroyed we must contemplate the creation of new industries or the expansion of existing industries to take its place

18026

Extinction of the cotton textile industry in Canada would have little effect so far far as reduction of costs in other industries was concerned

18026

To be really logical, Herard says, we must be prepared in the interests of increased sports of natural products to as sacrifice not only the textile industry but all ofer industries in Canada which cannot produce goods as cheaply as they can be brought in under free trade conditions from other countries

13037

Duty paid on importations of textiles in 1930 was \$30,000,000, the highest since 1920, when it was \$42,500,000. In 1936, it had fallen to \$11,890,000. Lowest year was 1935, \$21,134,000. For nine months of 1936037, fiscal year it has emounted to \$9,986,000

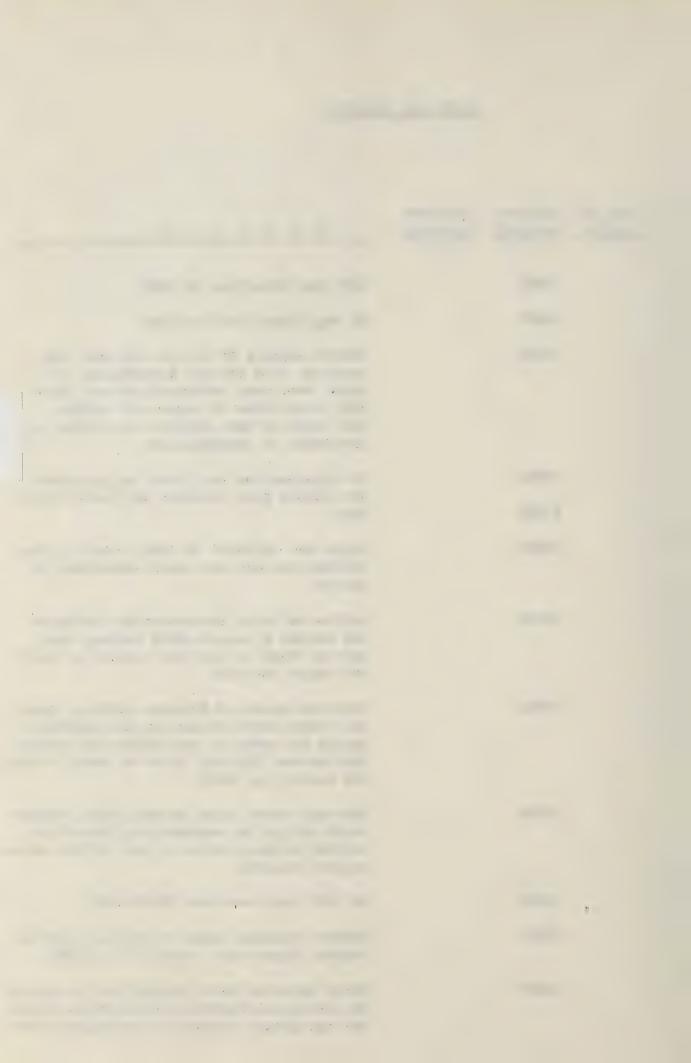


34	18601	15065 (E.B.)	The purpose of a tariff is to provide additional employment at a scale of tages in accordance with the levi of economic devel opment in the country, as well as to round out is industrial metivity
.54	18601	15066 (E.B.)	If the imposition of a tariff was for the purpose of raising the wage level above the average in similar or other industries them such tariff would not be necessary



WAGES end SALARIES

PAGE IN		Merum's	
	17827		10% wage roduction in 1934
	18827		5% wage reduction restored
	17628		Heward submits if it had not been for revenues from outside investments it would have been necessary to make further reductions in wages and earlier and possibly more drastic reductions in dividends to shareholders
	17948		No compensation was given to employees
	17949		for losses they suffered in 11-day shut- down
	17976		Wages are included in total cost of pro- duction but are not shown separately on charts
	18 30		Outline of main factors which determine the amount of wages which Company can pay am does pay and the manner in which the wages are paid
	18031		Schedule showin difference between income and fixed expenditures and the naulting emount of money or pool which was availa- ble between 1927 and 1936 to reward on pital and wages (Ex. 1363)
	18036		Schedule shows point beyond which Company could not go in remunerating labour and capital without using up part of its accumulated sapital
	18036		In 1927 pool was over \$7,250,000
	18037		Second schedule shows he pool was divided between labour and capital (Ex. 1363)
	18037		Third schedule shows respective investment of labour end capital for ten year period and the return of each in relation to 1927.



Schedule 2 shows that labour got 65% of the pool while capital received 35%

18038

After 1930 as pool became smaller so did labour 's share in absolute amount but not in proportion to capital's share dus to labour's investment of man hours being less in 1931, 1932 and 1938

18039

Reduction in wages rates in 1933 which aver ged 11.4% reduced labour's return on its work in 1934. Upward nevision of wages in 1934 and 1936 restored labour's rate of matern per man hour to old levels existing prior to 1933

18040

Schodule 3 shows that by 1933, for every 100 man hours worked in 1927 there were only 70 man hours worked in 1923, where-as for every \$100 earned in 1927, there was still \$83 being earned in 1933

18041

For every \$100 invested in the business in 1927 there was \$108 invested in 1933, but for every \$100 which capital got out of the pool in 1927 it got only \$26 in 1933. In 1936 labour got \$99 and capital \$47

18041

Ballantyne submits that these statements show, first, the limits within which a company must operate when it rewards labour and capital; second, the manner in which the policies of the Company have operated in the division which was made between the funds available each year as between capital and labour; and third, during the ten years the stare of labour in the pool has been increased relatively to capital

18042

How labour's share of the pool is divided and emong the various classes of labour and emong different workers themselves

41 18043 18080 Company cannot obtain and encloy a particular type of worker unless it is prepared to pay that worker at least the price he could get in sees other occupation



18043	The field warm of the state of
18080	During 1931 and 1932 Company paid
	loom fixers 48¢ an hour and in 1935
	after reduction of wages, 42.8¢
18044	Workers are paid according to the
	market value, the difficulty of the
	ich and the medicated to at the continue
	job and the productivity of the worker
20000	
18045	Ballantyne discusses that is likely to
18056-7	be the probable future of the textile
	worker
18054	Amployer has been able to increase the
	exployees' productivity so that despi-
	to improve himmorially no may design
	to impressed wages, production has also
	been increased proportionately
18054	In terms of real wage costs per pound
	the employer has gained slightly since
	real wage rates were 51% higher in 1936
	than in 1914, compared with a 53% in-
	crease in productivity of the worker per
	hour between the beginning and end of th
	same period
18055	Between 1914 ami 1920 the management gav
	the worker better tools to work with and
	he was able to produce more and earn mor
18058	Ballentyne says that as a result of
	the policies amployed by the Commany the
	employee has shared equally with the employer in the benefits
	enlarolar, in one parerica
18056	Despite a shorter working week the work-
	er of today is earning 65% more per week
	and has 3814 more purchasing power than
	in 1930 and this increase has taken place
	without it being necessary to increase
	cost of production of goods produced
18057	Dramate for toyette
70001	Prospects for textile workers are higher
	wages am shorter hours

Ballantyne submits that during the

ment of wage costs was essential

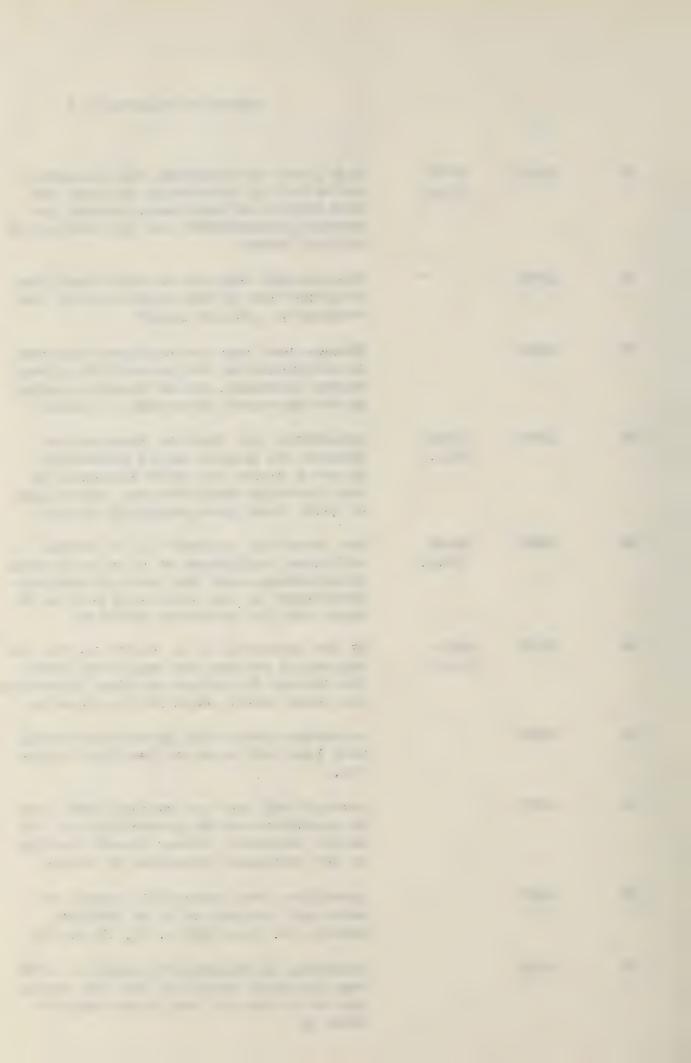
period of business depression marked by declining earnings, some downward adjust-

18059

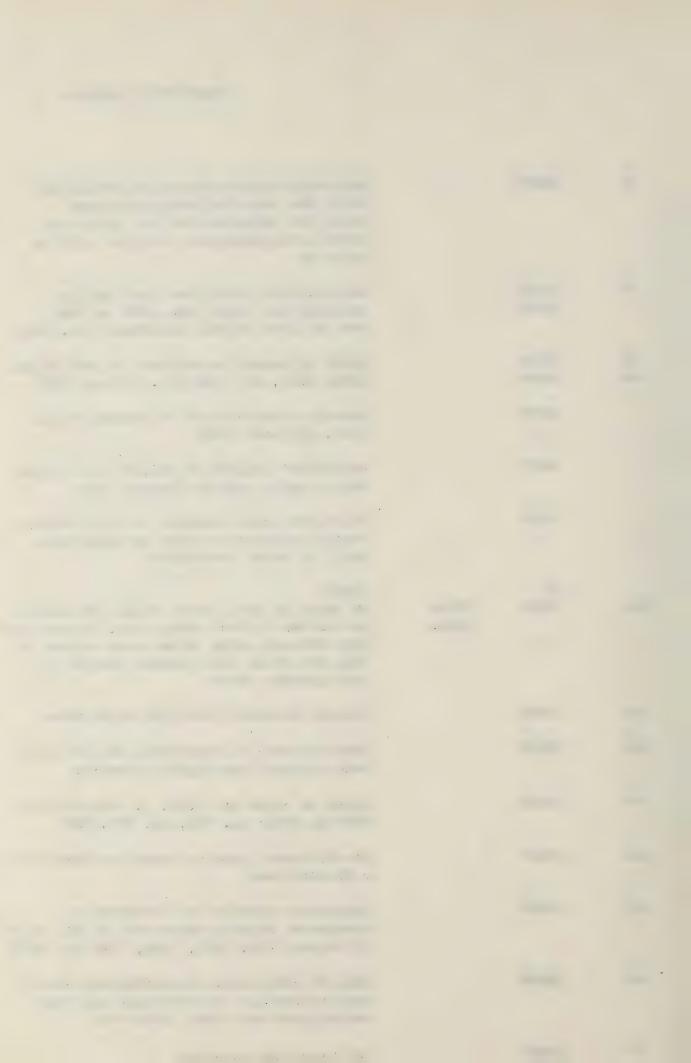
33



35	1000	15059 (E.B.)	High level of efficiency was emstantly maintained by introducing the most modern methods of machinery, thereby increasing productivity and the earnings of skilled labour
33	18059		Average real wage per employee hour rose in proportion as the poductivity and the earnings of skilled labour
33	18059		Average real wage per employee hour rose in proportion as the productivity of the worker increased, labour thereby sharing in the increased production of wealth
33	18060	15065 (E.B.)	Ballantyne says that the fact that an industry is granted tariff protection is not a reason for which employees in that industry should be paid upon a higher level than other comparable groups
34	18061	15065 (E.B.)	The purpose of a tariff is to provide additional employment at a scale of wages in accordance with the level of economic development in the country as well as to round out its industrial activity
34	18961	16066 (E.B.)	If the imposition of a tariff was for the purpose of raising the wage level above the average in similar or other industries then such tariff would not be necessary
34	18062		Ballantyne deals with labour conditions, work loads and wages of Dominion Textile
38	16071		Average real wage per employee hour rose in proportion as the productivity of the worker increased, labour thereby sharing
			in the increased production of wealth
38	18072		Quotations from Fessenden's report re wages paid in grey mills of Dominion Textile Col (Ex. 1209 p. 15, 17 and 18)
39	18073		According to Fessenden's report in 1919 wage increases caught up with the rising cost of living and real wages began to shoot up



40	16074		Reliantyne thinks Fessenien means that people who have followed these wate rates are air prised to find that the actual real wage that has been paid is
			going up
40	18075 18103		Only 2.92% of total sum paid out in salaries and wages from 1930 to 1936 went to head office executives (kx. 519)
40	18076		the day of the same of the sam
48	18078		Ratio of executive salareis to net sales, 1934, 1935, and 1936 (Ex. 517 and 519)
	18076		Avorago salaries paid to executives in 1936, 1935 and 1936
	18079		President's salary of \$21,500 is highest salary being paid at present time
	1.8079		Pallantyne says selaries paid to Dominion Textile executives would be considered anall in other industries
	41		18081
41	18091	15046 (E.B.)	On basis of what worker could have carned in another kindred occupation, Company could have reduced wages three years before it did, and could have reduced them to a
			much greater extent
41	18081		Methods employed in fixing wage rates
41	18083		Establishment of basic wage and standard week adopted from English practice
48	18085		Rates of w ges paid (Ev. p. 4500 to 4506; 4725 to 4729; Ex. 265,268, 273,375)
42	18085		In all cases retes of wages are based upon a 55-hour week
44	19088		Statements propaged by Secretary of Commission showing wages paid in all mills of Company (Ex. 1247, 1248, 1240 and 1252)
45	18089		Exhibit 1288 shows classification as to waskly earnings in artificial silk and cotton yarn and cloth industries
45	18090		How wages are recorded

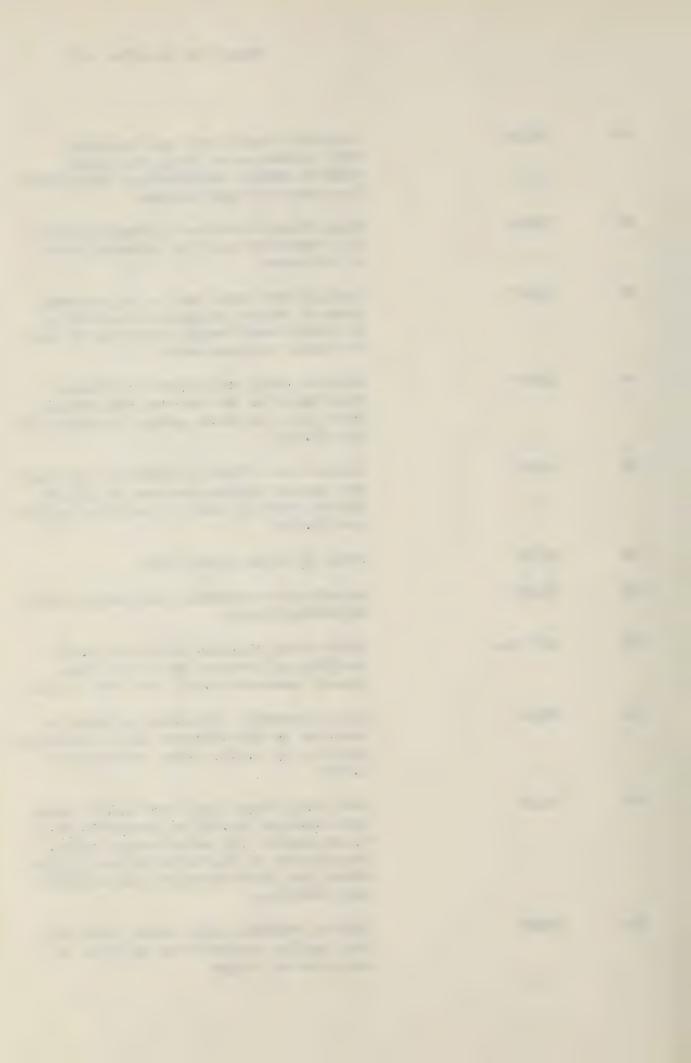


Wages and Salaries - 6

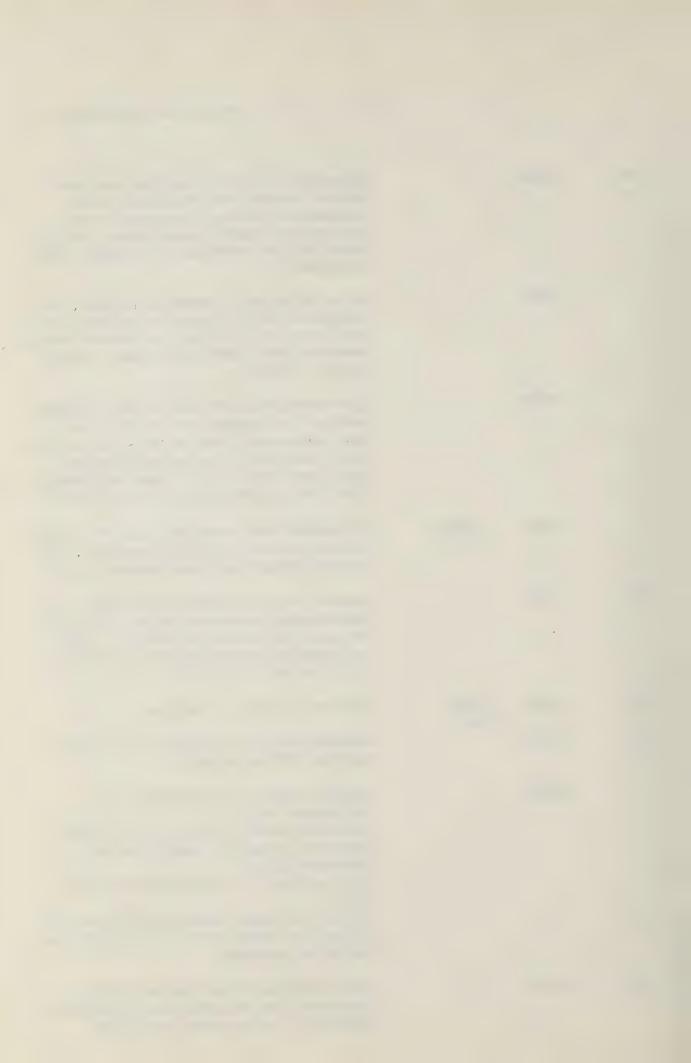
	18095 18095	Rates per unit of production and rates per unit of piece work-production are now posted in the mills, but not the hourly rates
	18094	Gordon mys it would be impossible to put all details of piece-work earnings on pay ewelopes
	19095	Gordon says worker can find out how much an hour or piece he is getting
	18096	Employees do not want each other to know their hourly rates
	18097 18102	Ballantyne agrees that employees are en- titled to find out for himself basis on which they are being paid
	18100	All witnesses examined at Quebec swore they did not know how they were being paid
	18101	Bailantyne says Company made no attempt a to keep it wage rates secret from its employees
4.7	18103	Relationship of wages to (a) Cost of production, and (b) Total salaries and wages
47	18102	Mill wages form second largest item of production cost
47	18102	Exhibit 1230 (distribution of sales collar 1927-1936) shows importance of mill wages as an element of the sales dollar
48	18103	Exhibit 519 shows relationship of mill wages to total salaries and wages paid for seven years ended March 31, 1936
48	18103	Minimum Wage Laws in Quebed for Women (Svid. Gustave Francq, p. 10782 to 10754)
48	18104	Rates established for textile industry in Quebec
49	18104	For 1935 for industries reported, average wages for women textile workers were sixth
		highest in Montreal and Outside Montreal they were second highest in the Province



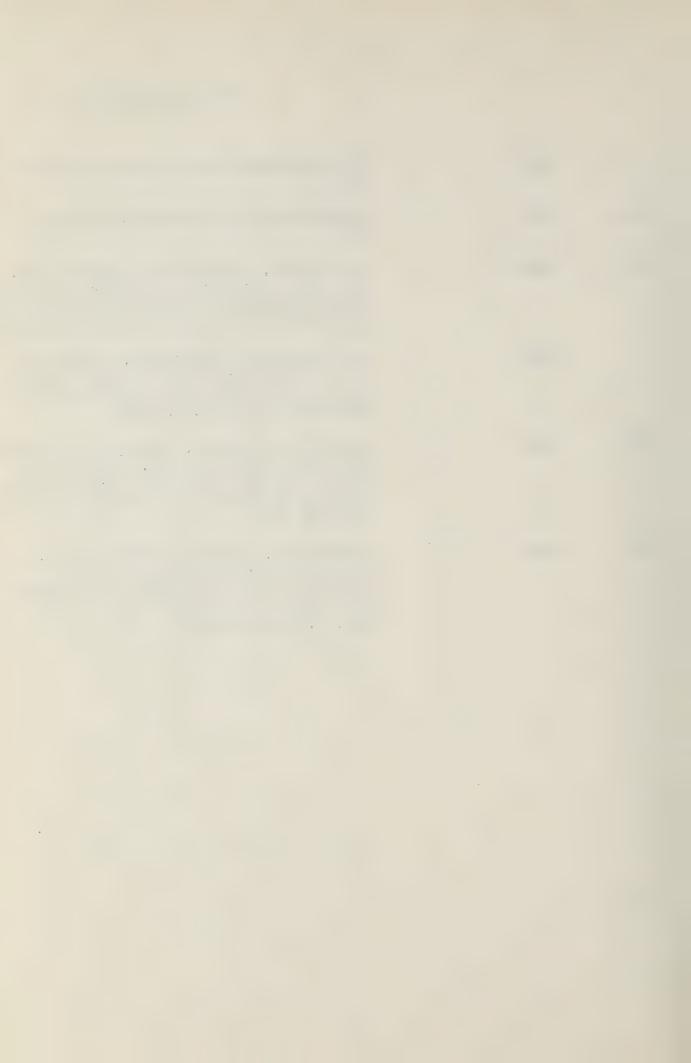
49	18014	Comimion Textile not only complied with minimum wage laws, but wages paid to female works rawers some iderably
200	4000	in excess of legal minima
49	18105	at Sherbrooke based in standard week of 55 hours
49	18107	Emilbit 274 shows that a large percen- tage of female employees are earning at rates considerably in excess of es- tablished minimum rates
49	16107	Highest group rate fixed by Minimum Wage Board is 25¢ whereas the average rate paid for three groups in city mills was 22.51¢
49	18107	Average rate fixed by Minimum Wage Board for groups outside Montreal is 19.10¢ whereas aver ge paid by Dominion Textile was 22.91¢
52	18116	Trend of wages since 1980
53	18118	Reductions of salaries and wages during depression years
53	1811 9-A	Shile total sclaries declines 12.04% in 1933, mill wages (on a full time basis) increased 2.66% over same period
54	18120	First important rejuction in salaries was male in 1931-32; head office executive salaries by 9.21%, other salaries by 6.36%
54	18130	Total mill wages paid over past 7 years have everaged 86.26% of Company's total disturbance of 13.74% being head office executive, administration and solling & mill salaries
54	18121	Only by reducing mill wages could any real saving be made with the item of salaries and wages



54	18121		Reduction in mill wages was not made before Company had completed three successive years of relatively poor business and had already taken drastic steps in the reduction of salaries and dividends
	18121		In spite of wage decrease in 1933, the workers actually earned practicelly as much tat year as they had earned during previous year, but had to work longer hours to do it
	18122		Increased hours of labour was possible because the Company was able to sell its goods at a lower price - Had it not been possible to reduce prices there might not have been as much work available for the workers at the old rates
	18122	15067 (E.B.)	If Company had knownthat 1934 was going to turn out much better than 1933, it probably would not have reduced wages
55	18125		Company has increased wages since the cessation of hearings by the Commission Increase affective December 7, 1936, and restones wages to level existing prior to April 10, 1933
55	18124	14990 (E.B.)	Evidence of Mill Employees
55	18125	\$ 100 \$ 100 \$ J	Evidence of Rose Provencher was not correct (Evid. p. 4509)
	18127		General nature of complaints at Sherbrooks was - (1) That number of machines had been increased without a corresponding increase in pay (2) That the job assignment was too heavy (3) That in some cases operatives were obliged to work before 7 in the morning and to do overtime
57	18130		Five witnesses whose pay envelopes indicated low carnings for fortnightly periods had only worked part time



57	18130	Right witnesses know the basis of their pay
58	18133	Complaints as to ignorance of basis of pay
59	18134	Louis Poutet, forement the Spinning Dept. said rates for unit of production were given to any employees who demanded them and that spiniors have smount aid per bank (Ev. 2730)
	16134	Bellantyne says Butterworth, overseer of Nap and Cloth Room went to Superintendent and got the girls in his Department a n increase in pay (Sv. p. 2418)
59	18134	Boucher and fremelay, foresen of Card room and Thread Pinishing Dept. respectively, stated that all rates of pay were available in their offices to the workers (Ev. p. 350) 3394 and 3395)
59	18135	Chamberland, overseer of weaving Dept. stated that amount of production and style per machine is posted and employees may obtain rate per unit upon request. (Ev. p. 3444 and 3445)















PORTH	PAGE IN ARGULETT	The state of the control of the cont
	18915	ortensive overhealing of machinery is decre- ciation
	18941	Ex. 329 states that Company took more than sufficient depreciation to take care of actual wear and tear and to cover capital losses amounting to \$540,000 up to 1924
	18943	Heward says depreciation should be written on cost
	18948	Table showing summary of charges for depre- ciation, etc., and average annual charges for depreciation, etc. (Ex. 1372)
	18944	Estimated and normal life of mill ognipment
	18945	When equipment is placed in a new mill or replaced it is a capital charge but if this equipment is charged to profits the mill is kept up to date out of profits and not out of depreciation. If depreciation is taken on capital machinery at the same time, this makes a double charge
	18980	Comparison of American and Canadian prices indices since 1920 (Ex. 1371)



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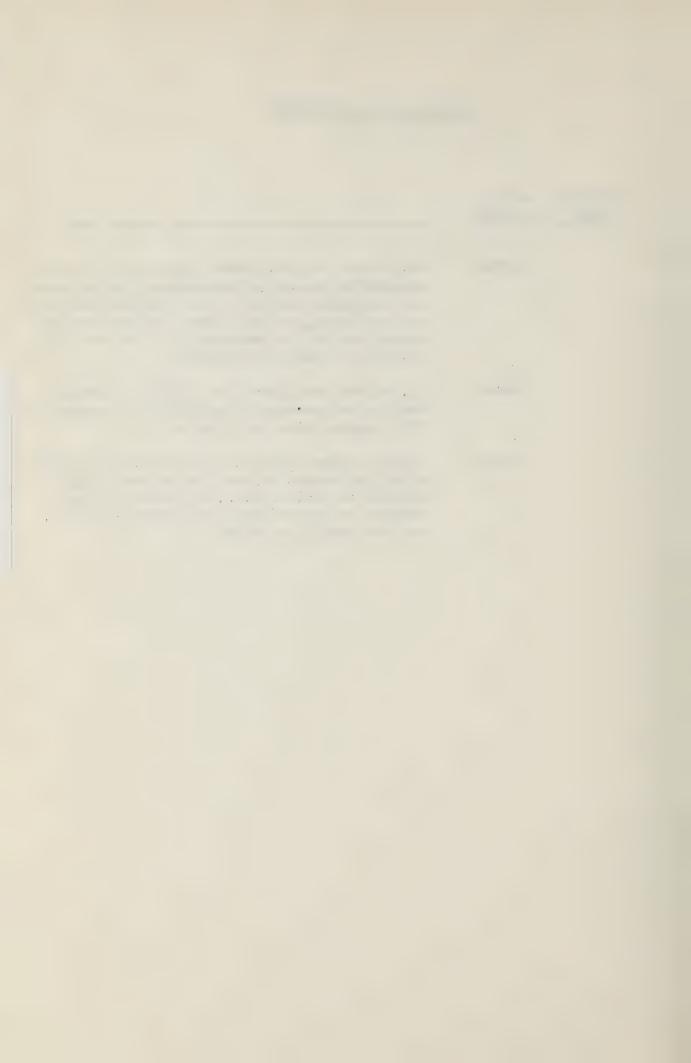
WASTER OF HER PROPERTY.	to plant the state of the con-	
	18886	Jonision Cotton Mills of al Coors heyot
	1880.9	Judgment of the Judicial Committee on Dominion Coston Mills
	18200	Sharew of Dominion Goston Mills fell to 26g in 1901
	2000	Evidence of Sir Herbert Holt



FILAMULAL and OFFICATING

PAGE IN PAGE IN	
16784	scientific met od of considering the business and financial affairs is to disper and temperaty bank loans, but if a large amount of permanent capital is borrowed from the bank it should be taken in as capital
18790	Fr. Maker conflicts with Dominion Textile Commany on question of principle in connection with depreciation and appraisals
18802	Memoritarnes ith Mr. "Comer's basis of studying the record of sernings of the various textile companies, i.e., the percentage of revenue on capital employed in the industry,

and not profit on sales



Annual Colores and Annual Annu

PAS IR	aller from the control of the section of	
	18947	Postile industry in Camba has not been in- perilled by the sale of Japanese textiles in the Chandlan market, and the competition has been inconsequential
	26953	Total laports from Januar, 1934, 1935, 1936.
	18954	Total exports to Japan, 1934, 1935, 1936
	18955 18957	Volume of imports of artificial silk from Japan in 1936 amounted to \$199,000 out of total imports of \$4,296,000
	18955 18955	To have accoded to demands of textile industry in January, 1936, to exclude Japanese textiles would have been detrimental to Canada in view of Japan's purchases from Canada being 4p times her sales to Canada



MACHINE

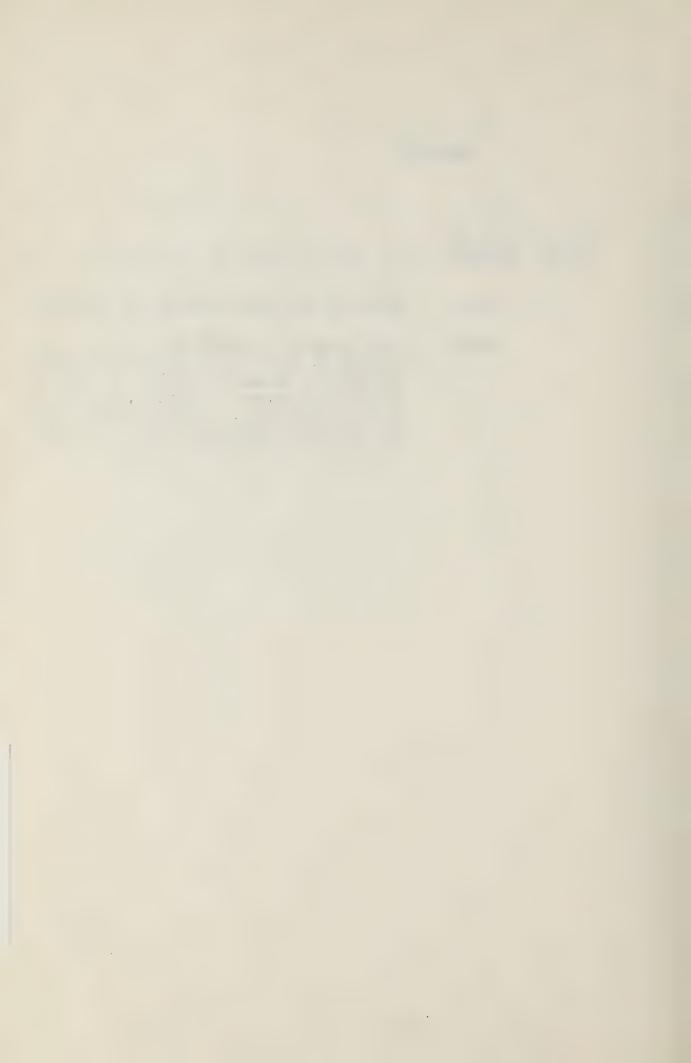
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astimited and normal life of mill equipment

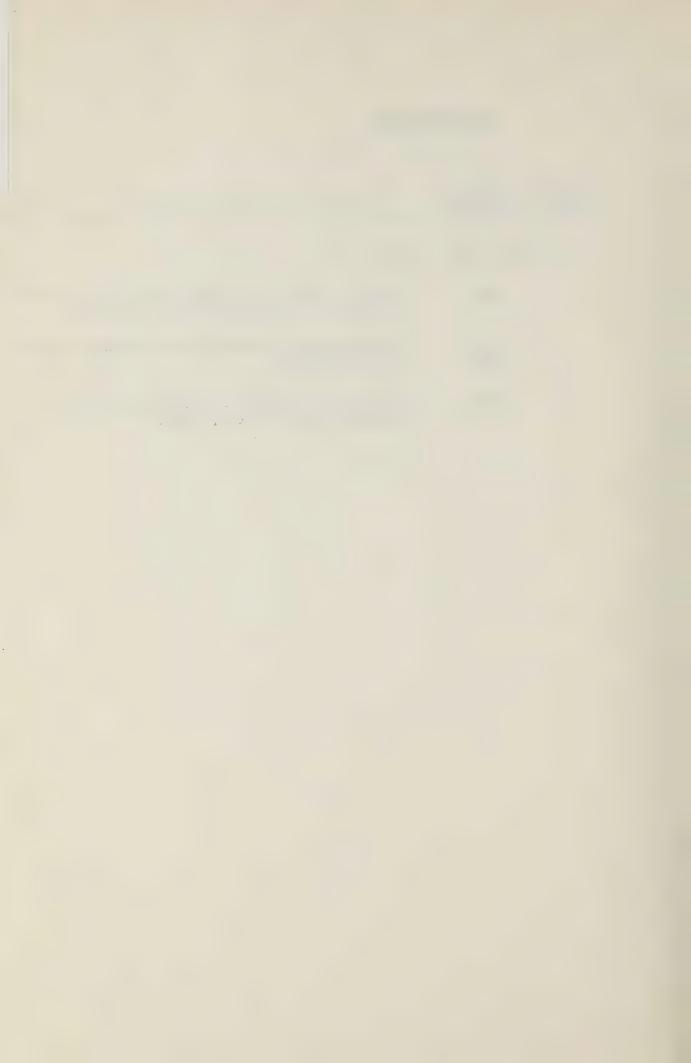
18945

replaced it is a capital charge but if this equipment is charged to profite the mill is lept up to date, out of profits, and not out of depreciation. If depreciation is taken on capital machinery at the same time, this makes a double charge



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PAGE IN PAGE IN	Complete and the control of the cont
16894	There is nothin particular about the textile industry that is indigeneous to Canada
18911	Royclar anditors should have been used in in-
18936	Comparison of operions and Communication price indices since 1920 (Ex. 1371)



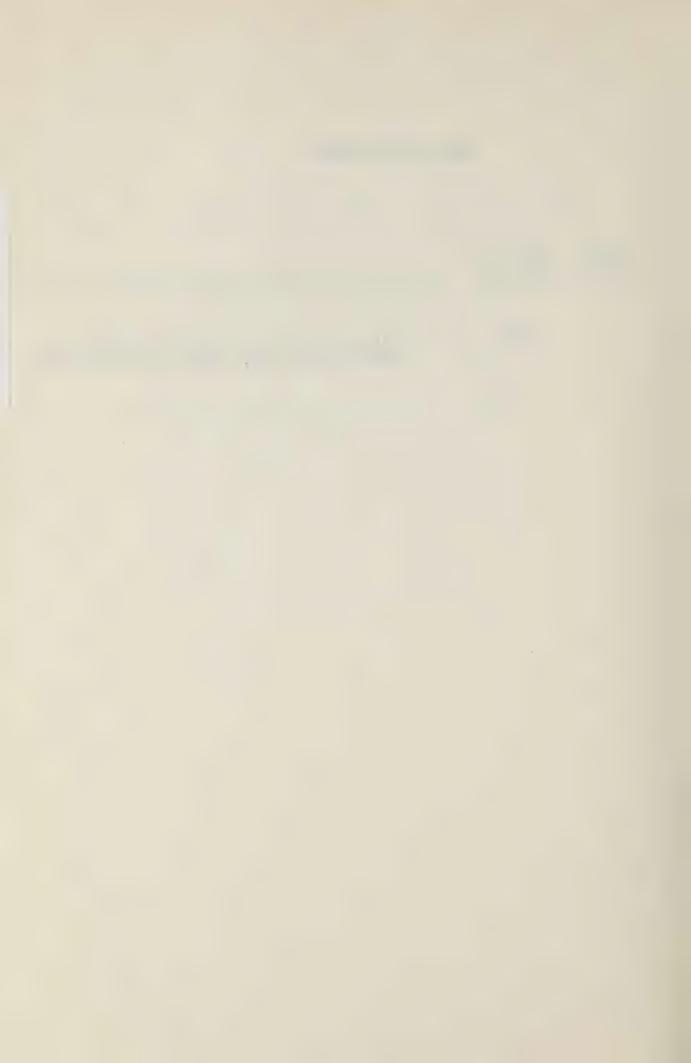
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SUBJECT

18958

Shipments by Dominion Textile Company and others during 1934, 1935 and 1936 (Ex. 1373)



the property was not as the first two contracts

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SUBJECT

18998

Ar. Some in referring to heward's suggested amendment to section 35 of the Cartons Act states he is looking at it from the point of view of expension of the ar ther than for the further protection of the industry.

